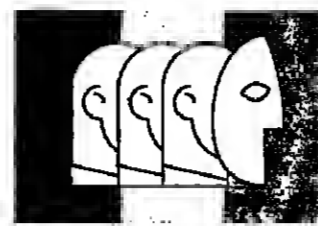


FINANCIAL TIMES

Start
the week
with...



Melvyn Weiss
Master of the class
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Monday Profile, Page 8



Business tribes
MBAs threaten
France's elite
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Kenyan election
Moi's last
hurrah?
Page 8

World Business Newspaper <http://www.FT.com>

MONDAY DECEMBER 29 1997

WORLD NEWS

Brazilian claims \$500,000 loss on Danish forex scheme

A Brazilian man claims to have lost nearly \$500,000 on a Copenhagen-based company for speculation on his behalf in the foreign exchange market. The company, trading now as Market Forces, is not authorised in any European Union country. Page 10

Scotland-France freight link
The UK government welcomed a decision by Railtrack to press ahead with a £220m (£363m) scheme for an upgraded freight route to link Glasgow in Scotland with the Channel tunnel in southern England. Page 4

Budget threat to Netanyahu
Israel's prime minister Benjamin Netanyahu came under fresh pressure from his nationalist and religious coalition partners to increase spending or face defeat in Thursday's parliamentary vote on next year's budget. Page 10

Spain to repay civil war debt
Spain is to make reparations for seized assets of the losing side in the Spanish Civil War, nearly 60 years after the end of the war. Page 2

Europe: State of the Union
The next six months should lay the groundwork for the most dramatic transformation of the European Union since its foundation. Negotiations will begin to prepare its historic eastward expansion, while members choose the founders of a single currency to be launched on January 1 1999. Next Monday, a special pull-out supplement of the Financial Times will examine the challenges facing the Union and Britain's Labour government, which will hold the EU presidency for the next six months.

Clinton to seek tax cuts
US president Bill Clinton will again seek modest tax cuts aimed at middle-income families when he announces budget proposals early next year, said Rahm Emanuel, his senior adviser for policy and strategy. Page 2

Mayor held over massacre
Mexican authorities have arrested the mayor of the town in Chiapas state where 45 Indian peasants were killed last week, and have accused him of arming the paramilitary gunmen who carried out the massacre. Page 10

Chinese envoy in South Africa
China's vice-premier and foreign minister Qian Qichen arrived in South Africa for a state visit and meetings with President Nelson Mandela that will culminate in establishment of diplomatic ties between their countries. Page 3

Cambridge seeks private fees
UK pupils from private schools would have to pay a premium to attend Cambridge University under radical proposals to be unveiled next month. Page 4

Survey into BSE sheep link
A UK survey of 3,500 farms aimed at establishing whether bovine spongiform encephalopathy (BSE) has spread to sheep is to be undertaken in the new year. Colleges and private companies have been invited to conduct a confidential postal questionnaire. Page 4

Crack in Japanese opposition
Japan's opposition fragmented further when its largest grouping, the New Frontier party, or Shinshinto, voted to dissolve itself. Page 3

Paul Getty becomes UK citizen
Billionaire J. Paul Getty II has revoked his US citizenship and been granted a UK passport after 25 years living there. Page 4

BUSINESS NEWS

Sibneft pays \$88m tax bill to avert seizure of Omsk refinery

Sibneft, Russia's fourth largest oil company, said it had paid an outstanding \$88m (\$88m) tax bill on Christmas Day, averting the threatened seizure of its largest refining subsidiary at Omsk. Sibneft became the first Russian company to tap the international debt markets in August, issuing a \$150m Eurobond. Page 11

US publishers and information providers
increasingly plan to start charging for access to information they make available on the internet. Page 11

Lloyds of London will get most of its capital from corporate sources for the first time in 1998, after a 30 per cent fall in the number of Names, the individuals whose assets have traditionally supported the insurance market. Page 4

Critchley Group, maker of cable identification products and components for electrical and telecommunications sectors, has acquired French specialist manufacturer Groupe Riondel-Malbert for FF77m (£7.5m). Page 12

Donaldson Lufkin & Jenrette, US investment bank, is expanding its presence in eastern Europe. It intends to focus on debt and equity capital markets, mergers and acquisitions, and private equity. Page 13

Vynners, the wallcoverings manufacturer, has signed a licensing agreement with Italian multinational fashion house Benetton to produce a range for the UK market. Page 12

Xin Hua Estate, an arm of Xin Hua - China state news agency and traditional political base in Hong Kong - has failed to pay HK\$1.12m (\$150m) to complete the purchase of new offices in the former colony. Page 11

Australian securities authorities are set to widen their probe into financial problems and possible breaches of disclosure rules at Crown Casino. Page 13

Brazil's finance ministry has agreed with the government of São Paulo to refinance R\$59.6m (\$53.5m) of the state's debt. The deal includes the purchase of troubled bank Banespa. Page 2

China has issued new rules to increase transparency of listed companies' annual reports, demanding clearer financial reporting and more details of shareholding changes. Page 3

Sanwa Bank of Japan is to boost its stake in Thailand's fourth largest bank, Siam Commercial Bank, from 0.6 per cent to about 13 per cent. Page 13

Micro Focus, the software house quoted in London and on Nasdaq, has agreed to buy XDB Systems of the US. Page 12

Vietnam has introduced its first currency swap market in a bid to prise dollar holdings away from foreign banks and help local banks meet short-term trade debts. Page 3

Seki, India's financial regulator, has put off publication of its blueprint for India's first futures market after a wrangle over wording of the text. Page 13

Duncan Lewis, former head of the UK's Mercury Communications, is to return to the telecoms sector as one of two executive vice presidents at SITA Telecommunication Holdings. Page 11

Taiwan is to raise the ceiling on foreign investment allowed in domestic shares from 25 per cent of total market capitalisation to 30 per cent, early in the new year. Page 2

G7 banks to discuss ways of helping South Korea

Criticism in Washington
over handling of the crisis

By Gerard Baker in Washington
and Richard Waters in New York

Commercial banks from the Group of Seven industrialised nations are due to hold a series of meetings today to consider how to help South Korean companies meet foreign currency obligations that still threaten the financial stability of the world's 11th largest economy.

The meetings reflect the increasing pressure on international banks to play a leading role in the Korean bail-out, and come as criticism mounts in Washington and elsewhere of the way the crisis has been handled.

Late last week the Korean won soared and stock prices rose sharply after the G7 governments and the International Monetary Fund agreed to speed up the handing over of \$10m from the \$75bn in assistance promised to South Korea. But that support was only part of a broader public and private sector package, with commercial banks expected to help in shorting up the country's liquidity, something not all of them have agreed to do.

Eisuke Sakakibara, the Japanese finance ministry's vice-minister for international affairs, said yesterday the bank meetings, which have been called at the prodding of national central banks and finance ministries, would consider how to tackle the banks' hesitation in lending more to South Korea and to roll over their existing loans.

Bankers in the US, where the exposure to Korea is believed to be concentrated in a handful of banks, said they expected existing loans to be rolled over, but it was too early to say whether private sector institutions would advance new money as well.

"You first have to maintain the [existing credit] lines, before seeing what can be done next," one US bank said yesterday.

Industry analysts, though, said the banks were likely to come under increasing political pressure to lend more money to ease the country's liquidity crisis. "One of the complaints we are going to hear is of a big bank bail-out," said Bert Ely, a US banking consultant.

The US banks will be meeting against a background of mounting political hostility to the growing cost of bailing out Asian economies. The Clinton administration is to seek support from Congress early in the new year for funds to replenish the IMF's resources. A group of Democratic congressmen will next week propose legislation that would deny extra funding to the IMF without a commitment to improve labour conditions and human rights in the countries receiving IMF assistance.

Some Republicans have also expressed open hostility to the actions of the US and the IMF. But there seems little immediate threat that political pressures will prevent the US from providing the financial support for South Korea to which it is committed. The US will release early next month \$1.7bn from a total commitment of \$5bn to the Korean bail-out. But that money will come from a special Treasury resource, the exchange stabilisation fund which the Treasury secretary may use without the need for approval from Congress. This fund has as much as \$90bn in total assets that can be deployed with the general aim of stabilising international financial markets.

The IMF said yesterday it needed to review its economic forecasts for South Korea in the light of the won's steep fall.

Union casts shadow, Page 3
According to Kim, Page 9
Editorial Comment, Page 9
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Hong Kong to slaughter chickens in anti-flu move

By Louise Lucas in Hong Kong

Hong Kong's chicken population of more than 1m is to be slaughtered as part of the government's campaign to contain the spread of deadly "bird flu".

The virus, formally named influenza A H5N1, has killed four people in the territory; a further eight cases have been confirmed and eight more are suspected.

The mysterious flu strain, which migrated from birds to humans in May, has spread panic in Hong Kong. Experts from around the world have flown in to determine key issues, such as how the virus is spread, but until they reach conclusions Hong Kong residents are playing safe.

Among other things, this has meant avoiding chicken. Even feasts that traditionally feature the bird, such as last week's winter solstice, were re-fashioned and chicken sellers have reported drastically reduced sales.

Hospitals have been inundated with patients over the holiday period. Bird flu symptoms are similar to those accompanying more common flu, such as fever and sore throats, prompting many to seek professional help when they might normally have reached for an aspirin.

Tourism, an ailing part of the economy even before the advent

Continued on Page 10
Xinhua fails to pay, Page 11



Kenyan Democratic party presidential candidate Mwai Kibaki arrives for a rally in Nairobi attended by 10,000 supporters ahead of today's election. President Daniel arap Moi is tipped to win the second multi-party poll in the country's history. Three killed, Page 2; Moi's last hurrah, Page 8

Ulster paramilitary murders spark fears for peace process

By John Murray Brown in Dublin
and George Parker in London

British and Irish ministers yesterday appealed for calm, after weekend tit-for-tat murders threatened to derail the Northern Ireland peace process and return the province to its cycle of sectarian violence.

The Irish National Liberation Army, an extreme republican faction, claimed responsibility for the murders.

Mr Wright's former associates in the breakaway Loyalist Volunteer Force, who confirmed their involvement in the Dungannon shooting, warned of more bloodshed to avenge the death of their former commander.

Unionist politicians, who claim Ms Mowlem has made too many concessions to republicans in her search for a lasting peace settlement, stepped up calls for her resignation, but Downing Street said she had the full support of Tony Blair, the prime minister.

With Bill Clinton, the US president, adding his voice to calls for restraint, the government's pre-

testing time, and I do not underestimate the seriousness of it," said Mo Mowlam, the UK's Northern Ireland secretary.

The crisis was sparked by the shooting on Saturday of Mr Wright, known as King Rat, inside the high-security Maze prison.

The Irish National Liberation Army, an extreme republican faction, claimed responsibility for the murders.

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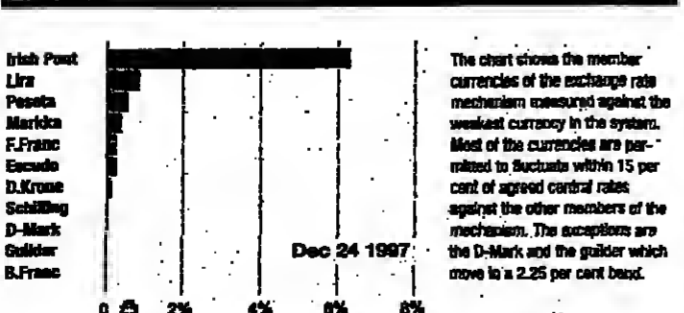
occupation last night was to ensure the main republican and loyalist terror groups stick to their ceasefires.

Bertie Ahern, Irish prime minister, said he was "very concerned" about the implications not just for Northern Ireland but for the Republic. The Loyalist Volunteer Force has in the past carried out a number of botched bomb attacks in Dublin and elsewhere in retaliation for IRA actions.

The breakdown in security is doubly embarrassing coming as it does as 160 loyalist and republican inmates are out on extended Christmas parole - one of the government's measures to build confidence in the peace process in the two communities.

While the LVF and INLA both oppose the current Stormont negotiations, security officials fear a vicious feud between these two splinter groups could easily spill over, forcing the IRA and its loyalist rivals to abandon their ceasefires and resume the armed conflict.

EMS Grid



The Spanish peseta replaced the Finnish markka in third place in the EMS grid in Christmas week. However, with currencies increasingly converging towards their central rates and traders on holiday, moves were minute. Currencies, Page 17

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Stock	100.00	100.00	100.00	100.00	100.00
Bond	100.00	100.00	100.00	100.00	100.00
Comd	100.00	100.00	100.00	100.00	100.00
Index	100.00	100.00	100.00	100.00	100.00
Gold	100.00	100.00	100.00	100.00	100.00
Oil	100.00	100.00	100.00	100.00	100.00
Wheat	100.00	100.00	100.00	100.00	100.00
Corn	100.00	100.00	100.00	100.00	100.00
Soybean	100.00	100.00	100.00	100.00	100.00
Wool	100.00	100.00	100.00	100.00	100.00
Cotton	100.00	100.00	100.00	100.00	100.00
Silver	100.00	100.00	100.00	100.00	100.00
Platinum	100.00	100.00	100.00	100.00	100.00
Palladium	100.00	100.00	100.00	100.00	100.00
Rhodium	100.00	100.00	100.00	100.00	100.00
Iridium	100.00	100.00	100.00	100.00	100.00
Osmium	100.00	100.00	100.00	100.00	100.00
Vanadium	100.00	100.00	100.00	100.00	100.00
Chromium	100.00	100.00	100.00	100.00	100.00
Manganese	100.00	100.00	100.00	100.00	100.00
Iron	100.00	100.00	100.00	100.00	100.00
Copper	100.00	100.00	100.00	100.00	100.00
Nickel	100.00	100.00	100.00	100.00	100.00
Zinc	100.00	100.00	100.00	100.00	100.00
Lead	100.00	100.00	100.00	100.00	100.00
Aluminum	100.00	100.00	100.00	100.00	100.00
Magnesium	100.00	100.00	100.00	100.00	100.00
Titanium	100.00	100.00	100.00	100.00	100.00
Vanadium	100.00	100.00	100.00	100.00	100.00
Chromium	100.00	100.00	100.00	100.00	100.00
Manganese	100.00	100.00	100.00	100.00	100.00
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Nickel	100.00	100.00	100.00	100.00	100.00
Zinc	100.00	100.00	100.00	100.00	100.00
Lead	100.00	100.00	100.00	100.00	100.00
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Lead	100.00	100.00	100.00	100.00	100.00
Aluminum	100.00	100.00	100.00	100.00	100.00
Magnesium	100.00	100.00	100.00	100.00	100.00
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Chromium	100.00	100.00	100.00	100.00	100.00
Manganese	100.00	100.00	100.00	100.00	100.00
Iron	100.00	100.00	100.00	100.00	100.00
Copper	100.00	100.00	100.00	100.00	100.00
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Zinc	100.00	100.00	100.00	100.00	100.00
Lead	100.00	100.00	100.00	100.00	100.00
Aluminum	100.00	100.00	100.00	100.00	100.00
Magnesium	100.00	100.00	100.00	100.00	100.00
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Vanadium	100.00	100.00	100.00	100.00	100.00
Chromium	100.00	100.00	100.00	100.00	100.00
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Vanadium	100.00	100.00	100.00	100.00	100.00
Chromium	100.00	100.00	100.00	100.00	100.00
Manganese	100.00	100.00	100.00	100.00	100.00
Iron	100.00	100.00	100.00	100.00	100.00
Copper	100.00	100.00	100.00	100.00	100.00
Nickel	100.00	100.00	100.00	100.00	100.00
Zinc	100.00	100.00	100.00	100.00	100.00
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Aluminum	100.00	100.00	100.00	100.00	100.00
Magnesium	100.00	100.00	100.00	100.00	100.00
Titanium	100.00	100.00	100.00	100.00	100.00

ASIA'S FINANCIAL CRISIS: ■ Labour threat in Korea ■ Vietnamese banks struggle ■ Manila tightens belt

Ramos orders officials to cut spending

Union casts shadow over Korea's new programme

Fidel Ramos, president of the Philippines, has ordered government officials to cut expenses by at least 25 per cent next year to help cope with Asia's currency turmoil, AP reports from Manila.

Mr Ramos issued the order at the weekend and recommended steps to cut expenses to ease a steep rise in the budget deficit caused largely by the falling value of the Philippine currency.

The peso has fallen from 26 to about 40 to the US dollar since July.

Mr Ramos said that it was important for government agencies "to match expenditures with available resources" to maintain economic stability and sustain the country's economic growth while financial troubles sweep south-east Asia.

Among the steps he suggested were a ban on foreign travel by government officials next year, except when foreign grants paid the costs, and a freeze on most new financial benefits for government employees.

Mr Ramos, however, is exempt from the travel ban. He is planning to visit Switzerland next year to address an international economic forum.

Government officials have been asked to reduce consumption of fuel, water, electricity and office supplies, according to a copy of the order.

A ban on the purchase of new government cars and equipment has also been imposed.

The austerity plan, drawn up by a government budget committee, takes effect on January 1, and will last for a year unless lifted by the president.

Officials said the peso's decline had driven up the value of foreign currency-denominated expenses and interest payments on the country's foreign debt, resulting in a large budget deficit this year.

Salvador Rodriguez, budget secretary, said that the government deficit this year had reached more than 14bn pesos (\$356m), largely because of the peso's decline.

He said the problem had been worsened by a shortfall in government revenue collection this year.

By John Burton in Seoul

The head of South Korea's dissident trade union said he would oppose efforts to cut jobs under the International Monetary Fund's \$57bn bailout programme - raising the prospect of labour strife over economic reforms promised by the nation's new president.

Kwon Young-kil, the leader of the Korean Confederation of Trade Unions (KCTU), rejected a proposal by Mr Kim Dae-jung, the president-elect, to introduce laws that would make it easier for companies to sack workers as part of industrial restructuring.

Mr Kim has been meeting labour leaders to win their support for the IMF programme, which is expected to lead to mass redundancies as companies are forced to cut investments and sell subsidiaries in response to high interest rates set by the IMF.

"The reality of our economy is that we need the co-operation of the IMF," Mr Kim told the KCTU leader.

"For that, we must hurry reforms requested by them and lay-offs are inevitable."

Mr Kim, who has been a supporter of the trade unions, had earlier proposed that job cuts could be postponed for six months if workers agreed to wage freezes and shorter working hours, but he has since

acknowledged that these efforts may no longer be effective.

Mr Kim has already received the backing of the Federation of Korean Trade Unions, which represents 1.2m workers and is the only trade union to be officially recognised by the government, for the IMF's tough conditions. The KCTU represents another 500,000 workers in key industries, including car and shipbuilding companies.

Mr Kwon demanded that public hearings be held to assign blame for the recent economic crisis and that those officials responsible should be punished. He also vowed to launch a political party to represent the interests of workers, who, he said, were being unfairly forced to bear the burden of mistakes made by the government.

The president-elect has offered to improve Korea's meagre unemployment insurance programmes and improve job training to gain

union support for job cuts.

Parliament approved legislation at the weekend that would allow the government to tap funds from the underground economy that could be used to finance unemployment insurance. This



Labour unrest in South Korea: a dissident union has vowed to fight the threat of mass job losses - seen as essential to the IMF-inspired remedy for the country's economic ills

would include issuing bearer bonds to those holding illegal cash hoards.

However, the protest by Mr Kwon underscores the fact that Mr Kim could face a stiff challenge in convincing angry workers that job

investment when Korea needs overseas capital to pay short-term foreign debt.

The IMF last week agreed to advance \$10bn to Korea to prevent it declaring a debt moratorium. But analysts believe foreign banks must still roll over loans and overseas investors should return to the nation's battered financial markets if Seoul is to solve its debt crisis.

In exchange for the emergency funds, Seoul agreed to extensive reforms that would remove nearly all restrictions on foreign investment in its financial markets.

Korean markets rallied on the news on Friday, but the response was short-lived as the Seoul bourse remained stagnant on Saturday.

It closed for the year at 376.31 points - a 42 per cent decline for 1997. Interest rates ended flat at 27 per cent.

Analysts warned that the high interest rates would lead to funding shortages and more bankruptcies, with banks calling in loans to meet Bank for International Settlements (BIS) capital adequacy levels as demanded by the IMF. The Korean currency, the won, has fallen

from 843.70 to the US dollar at the beginning of 1997 to 1,498 last Friday.

Analysts said the won would have to stabilise before foreign investors started to take advantage of record high interest rates and low share prices, which are near a 10-year low, and return to the financial markets.

From tomorrow, the bond market will be fully opened to foreign investors, while foreigners will be allowed to take majority stakes in listed Korea companies and conduct "friendly mergers and acquisitions".

Hanoi acts as concerns mount over local banks' ability to meet short-term debts to S Korea

Vietnam introduces currency swap market

By Jeremy Grant in Hanoi

Vietnam has introduced its first currency swap market in an apparent attempt to prise dollar holdings away from foreign banks and help local banks meet short-term trade debts, most of which are owed to South Korean companies.

A central bank official said a decision was issued last week to introduce swap transactions between dollars and the non-convertible dong on a two-week, one-month, two-month, and three-month basis. Rates

would be applied daily by the central bank.

The move, which came into effect on Christmas day, comes amid concerns over the ability of Vietnamese companies and banks to meet short-term debts that are falling due soon.

Banks have been struggling to repay significant letters of credit debts since earlier this year, when a series of defaults tarnished the reputation of the communist-run country's financial sector.

A senior central bank official warned in the official

Salon Times Daily that loans owed by banks to foreign institutions "may turn out to be a heavy burden on the economy", and that a "major part" of them would fall due "soon".

The newspaper put the total amount of those debts at about \$640m. Hanoi faces a fall in hard currency inflows as a result of the Asian financial crisis and has modest foreign exchange reserves of about \$2bn, economists say.

Bankers said added pressure to find dollars came from Korean trading houses

desperate to call in hard currency debts for repatriation to their stricken parent companies. One estimated that about \$300m in money owed to Korean companies was due "shortly".

Another motive for launching a swap market was to increase the supply of dollars, easing pressure on the local currency, the non-convertible dong, one western economist said. "They're trying to encourage foreign banks to sell their dollar positions. It's intended to achieve what an exchange rate move would achieve."

Bankers say the dong remains overvalued by about 30 per cent. But Hanoi has ruled out any downward adjustment of its highly controlled exchange rate, despite continuing damage to its exports.

Official reports say regional devaluations have cost state coffers \$500m in lost export earnings.

A little-known, conservative military figure is expected to replace Du Muoi, Vietnam's paramount Communist party leader, after delegates at a landmark party convention apparently

voted in favour of the change, diplomats said yesterday.

Gen Le Kha Phieu, 66, has been for months tipped to replace the party general secretary, who will be 81 next month.

However, sources said he might not officially replace Mr Muoi until later next year, as the general secretary was keen to oversee a smooth transition at a time when Vietnam faced threats to economic stability because of the Asian economic crisis and recent bouts of rural unrest.

Figures on output underline weakness of the economy

Japan still on critical list

By Paul Abrahams in Tokyo

The Japanese economy is likely to remain in a critical condition until at least February, according to Koji Omi, the economic planning agency minister. His warning followed the cabinet's approval of an austere budget for the next fiscal year and a flurry of economic data underlining the weakness of the economy.

The budget was approved on December 25 and is expected to be just 0.4 per cent above this year's forecast. It included the first year-on-year cut in the foreign aid budget, the first cut in defence-related spending since 1955 and the largest ever fall in public works spending - down 7.8 per cent to ¥8,990bn (\$69bn).

The combination of this year's cut in public works spending and weak consumer demand has fed through to the construction sector, the country's largest employer. Weak consumer confidence meant housing

starts declined year on year by 23.5 per cent in November. Construction orders rose just 5.2 per cent.

The number employed in the construction industry - which accounts for 10 per cent of all employment - fell 3.8 per cent to 6.64m in November. Overall, the seasonally adjusted unemployment rate remained at a record high of 3.5 per cent last month.

Growing fears about unemployment contributed to weak retail sales, which fell year on year by 4.7 per cent in November. Department store sales fell 5.5 per cent. The Japan Department Stores Association said sales of household appliances tumbled 10.3 per cent to ¥64bn. Electrical home appliance sales dropped 24.1 per cent to ¥6.21bn.

The deflationary forces in the economy were apparent in December's inflation figures for the Tokyo area, where prices rose year-on-year only 1.7 per cent. Nationwide consumer prices

increased 2.1 per cent in November. Consumer prices around Tokyo increased 1.3 per cent in this year, after being flat last year and falling 0.3 per cent in 1996. The low inflation data were despite a 3 percentage point increase in sales tax introduced in April.

Poor consumer demand fed through to November's industrial production figures, which fell a worse than expected 4.1 per cent, the highest drop since March 1996. The Ministry of International Trade and Industry used the word "weak" to describe the output data for the first time in two years. Shipments fell 5.3 per cent, inventories increased 1.4 per cent, while the inventory-to-shipment ratio rose a worrying 6.4 per cent.

Vehicle production fell 7.3 per cent last month, according to the Japan Automobile Manufacturers Association. Output of cars declined for a second month, down 7.2 per cent to 897,578 units. However, exports continue

to support the economy. Vehicle exports went up 12.7 per cent last month to 371,649, the 18th consecutive monthly rise. Exports to Europe rose 23.3 per cent to 105,500, those to the US rose 0.2 per cent to 106,000, while those to Asia fell 29 per cent to 38,000. But vehicle exports are expected to fall next year, mainly because of the Asian economic crisis.

The crisis is already affecting other Japanese industries. The Nihon Keizai Shimbun newspaper reported that cement makers had begun struggling since October to conclude spot contracts in Asia because Thai and Indonesian producers were selling at heavily discounted prices.

Low domestic demand is keeping import growth suppressed. The trade surplus in the first 10 days of December increased 17-fold from ¥6.11bn to ¥107bn. Officials said the huge increase was partly explained by the fact that the surplus had been shrinking rapidly last year.

China draws South Africa away from its friendship with Taiwan

By Mark Ashurst in Cape Town

Qian Qichen, the Chinese vice-premier and foreign minister, arrived in South Africa yesterday for a visit which will culminate with the establishment of formal diplomatic ties.

Mr Qian is to meet President Nelson Mandela today. Diplomatic ties between the two countries will be resumed formally tomorrow, when the Chinese foreign minister will meet his South African counterpart, Alfred Nzo, to sign official documents in Pretoria.

The ceremony will also mark the end of South Africa's diplomatic ties with Taiwan, which Chinese authorities in Beijing regard as a renegade province.

Beijing has insisted that South Africa sever diplomatic relations with Taiwan - which contributed substantially to funding the 1994 election campaign of South Africa's ruling African National Congress - as a precondition for formal ties.

Mr Mandela announced the switch of allegiance in November 1996, after Beijing vetoed his efforts to establish a system of dual recognition with both countries, which he has described as "the two Chinas".

Mr Mandela, whose loyalty to countries which supported the banned African National Congress during the apartheid era has occasionally vexed Washington and other western powers, described the decision to cut ties with Taiwan as "agonising".

The switch in allegiance is a victory for Chinese efforts to push Taiwan into diplomatic isolation, but chiefly reflects the growing volume of trade between China and South Africa.

This could rise to \$2bn by 2000, and will be boosted further by the handover of Hong Kong, the former British colony which was returned to China in June. Trade with Taiwan was worth about \$1.7bn in 1996.

Christopher Dlamini, the South African ambassador-designate to Beijing, said a recent Chinese trade delegation to South Africa had signed trade and investment contracts worth about \$600m. These spanned an array of mineral and metals industries, including diamonds, copper, cobalt, iron ore, feed additives and steel.

China tightens rules on company reports

By James Harding in Shanghai

China has issued new rules intended to increase the transparency of listed companies' annual reports. They demand greater clarity in financial reporting and more details of changes to shareholding.

The new rules, announced in the China Securities newspaper, the stock market's official paper, will take effect with the publication of the 1997 full-year results due by the end of April 1998.

The China Securities Regulatory Commission, the chief stock market regulator, will require details of profit sources as well as asset restructurings, including mergers, acquisitions and other significant transactions.

Listed companies will have to explain the use of funds raised, disclose any changes in their use from the purposes stated in a prospectus, and publish an opinion on the company's operations by its board of directors and supervisory body.

Changes in ownership have become an increasingly frequent feature of life in corporate China, which is undergoing a wave of capital restructuring since President Jiang Zemin approved moves towards a mixed economy at a landmark congress of the Communist party in September.

Lack of transparency in Chinese companies has been one of the chief complaints among domestic and foreign investors. Many international institutional investors, for example, have said they will not invest in companies listed in China's mainland markets in Shanghai and Shenzhen until they improve their openness and financial reporting.

Meanwhile, China has created its largest accountancy firm by merging a dozen accountancies. The new firm's revenues are expected to exceed ¥100bn (\$12m) this year, according to the Economic Daily, which reported the merger.

China Accounting was formally established in Beijing this week and will employ about 1,000 people, including 480 certified public accountants.

The merger is intended to boost credibility and improve services in the face of competition from domestic and international firms.

Opposition party disintegrates

By Paul Abrahams

Japan's opposition parties fragmented further over the weekend when the largest opposition party, the New Frontier party (NFP), or Shinshinto, voted to dissolve itself. The move was prompted by Ichiro Ozawa, president of Shinshinto. He hopes to eliminate criticism of his leadership from within the party by setting up a new political grouping.

The collapse of the NFP will provide a welcome boost to Ryutaro Hashimoto, prime minister and leader of

the ruling Liberal Democratic party (LDP), whose popularity has plummeted in recent months.

The NFP has 173 members in the Diet (parliament) but has had a steady trickle of defections. Most have expressed concern about Mr Ozawa's autocratic style of leadership and his policies - he is an advocate of supply side reforms, based on changes to the tax regime and economic deregulation. The party was formed only in 1994, when Mr Ozawa and a number of MPs defected from the LDP. However, it

performed poorly in last year's general election and in by-elections this year.

Mr Ozawa plans to launch his new party next month. It is expected to have about 100 conservative Diet members and may be called the Conservative party or the Reform party.

Mr Ozawa has been pushing for an alliance with the ruling LDP, but moderate members of the ruling party - who oppose dealing with Mr Ozawa - have been in the ascendant this year.

Other Diet members of the NFP will rejoin Komei, a

group of upper house members sponsored by Soka Gakkai, the country's largest lay Buddhist organisation. The remainder will join a grouping under Michihiko Kano, who ran against Mr Ozawa in this month's contest for leadership of the NFP.

Over the weekend, Mr Kano met former prime ministers Morihiro Hosokawa and Tsutomu Hata as well as leaders of the Democratic party of Japan. They said they had agreed to co-operate and might create a single Diet grouping.

Lawyers fear for Kaunda's health as the world protests

By Michela Wrong

Lawyers representing Kenneth Kaunda, Zambia's former president, who has been on hunger strike since his arrest on Christmas Day, said yesterday they were worried about his deteriorating condition and were pressing him to start taking fluids.

"Dr Kaunda is generally in good health, but when you stop getting liquids it takes its toll very quickly," said Sakwiba Sikota, on Dr Kaunda's legal team. "He's at an advanced age and even a young man would find it hard to last in those conditions."

The Zambian government has justified the 28-day detention order imposed on the 73-year-old opposition leader by accusing him of



Kaunda: condition is deteriorating

involvement in an abortive military coup attempt on October 28, staged while Dr Kaunda was out of the country on a lecture tour.

But its failure to produce

any evidence supporting the claim or lodge formal charges against Dr Kaunda, being held at a maximum security prison under state-of-emergency legislation, have triggered a wave of international protest.

The White House, President Nelson Mandela of South Africa, Britain's foreign office and the Commonwealth all expressed their "extreme concern" over the arrest of Dr Kaunda to be either put on trial immediately or released.

The former Tanzanian president, Julius Nyerere, said he planned to visit Zambia tomorrow to convey concerns of regional leaders, while a regional meeting on the affair may be held soon. It was not immediately clear whether the detention,

the latest repressive move by a government once regarded as progressive, would trigger a renewed aid suspension by Zambia's donors. They agreed only in July to ease a previous funding freeze triggered by the decision to bar Dr Kaunda from standing in the 1996 elections, won by Mr Chiluba. Analysts said Mr Chiluba's administration was now unlikely to meet "good governance" conditions some western donors had placed on aid resumption.

Dr Kaunda's lawyers, who will apply for his release in court today, said they believed the plan was to either to keep renewing indefinitely his 28-day detention order, or to charge him and 90 arrested army personnel and opposition supporters with treason.

NEWS: UK

Slowing of the economy 'may fail to bring inflation below 3 per cent until after 1999'

Further interest rate rises predicted

By Daniel Green

City economists are predicting further interest rate rises in spite of reports from retailers that consumer demand may be slowing. This is likely to lead to a sharp slowing of the UK economy after several years near the top of the European league table of economic growth, but may fail to bring inflation below 3 per cent until after 1999, say forecasters.

Goldman Sachs said two more base rate rises, each of 0.25 percentage points, were likely before rates peaked. HSBC James Capel says any perception that base rates have already peaked "is likely to prove unfounded".

However, both said a rise as soon as the January 7-8 meeting of the Bank of England's Monetary Policy Committee is unlikely. Instead, there could be a 0.25 percentage point rise in February with another in the spring, said Goldman Sachs. HSBC James Capel says that a rise is possible "well into the first quarter".

These views are in line with those of financial markets, where short sterling futures have been expecting UK rate rises in the new year. They come against a background of rising pay, leading to strong consumer spending that is partly responsible for inflation remaining above the Bank of England's target.

As well as the Christmas trading statements from retailers scattered through January, the City is likely to watch closely four other sets of data, said Goldman Sachs. About 25 per cent of pay deals take effect in January, and retail price inflation excluding mortgage rate changes (RPIX) for December will be published on January 13. Several quarterly business surveys are published during the month, and a preliminary estimate of GDP in the final quarter of 1997 will be out on January 23.

Ministers welcome plan for rail freight route

Railtrack to link Glasgow and Channel tunnel

By George Parker, Political Correspondent

The government yesterday welcomed Railtrack's decision to press ahead with a £220m (£66m) scheme to create an upgraded freight route linking Glasgow in Scotland with the Channel tunnel terminal in southern England.

Railtrack said yesterday it hoped the government would provide up to £150m in grants for the project, while there might be additional support from Brussels. It said preliminary talks with officials from the department of environment, transport and the regions had gone well, adding: "They were reasonably happy for us to go forward."

However Robin Giehy, head of freight at Railtrack, said the company would start work on the project without any grants being paid in advance. It could be in operation by 2003. Hauliers can claim government grants if they shift consignments from road to rail. Railtrack is keen for the grants to be paid in part to train operators which would take shipments that previously went by road, providing an incentive to shippers to switch to rail.



Police search the area around the Glengannon Hotel in Northern Ireland after the murder by pro-British "loyalists" of former republican prisoner Seamus Dillon. The killing followed the murder in prison of loyalist Billy Wright. The incidents sparked fears of widespread violence

Sharp fall in number of Lloyd's Names

By Robert Rice, Legal Correspondent

Lloyd's of London will receive the majority of its capital from corporate sources for the first time in 1998 following another big fall in the number of Names, the individuals whose assets have traditionally supported the insurance market.

Lloyd's will today announce a 30 per cent fall in the number of Names with unlimited liability, from just under 10,000 last year to 6,800. This continues a trend which began in 1994, when the insurance market first opened its doors to corporate capital following a sharp decline in the capital supplied by Names.

UK NEWS DIGEST

EU role to help combat crime

The British government intends to use its imminent presidency of the European Union to co-ordinate action against football hooliganism in the run up to next summer's World Cup finals in France. Jack Straw, the home secretary, also aims to grant new powers to Europol and develop measures to fight illegal immigration, terrorism, drug trafficking and organised crime throughout Europe. He has identified a particular problem with some former Soviet bloc nations hoping to join the EU.

■ J PAUL GETTY II

Citizenship for heir to oil fortune

J Paul Getty II, the billionaire philanthropist, has been granted British citizenship after 25 years living in the UK. It was confirmed yesterday. Heir to what was once the world's biggest private oil fortune, Mr Getty, 65, is prepared to pay the price of a British passport in higher taxes. His application for citizenship was granted in the week before Christmas. Home Office sources confirmed. Mr Getty was reported to have immediately revoked his US nationality. The news comes in the week after the British government agreed to re-examine an application for citizenship from Harrods owner Mohamed Al Fayed. The businessman had an earlier request for a British passport rejected without explanation.

■ BEEF CRISIS

Farm survey to probe sheep link

A nationwide survey of 3,500 farms aimed at establishing whether bovine spongiform encephalopathy has spread to sheep is to be undertaken in the new year. Universities, colleges and private companies have been invited by the agriculture ministry to conduct a postal questionnaire. Replies will be anonymous and confidential. The ministry is advertising the survey as an exercise in establishing accurate figures on scrapie, the fatal brain disease of sheep believed to have caused BSE after cattle were fed on rations containing contaminated sheep remains.

■ HEALTH

Flu fears prompt air quality rules

Tough measures to control air-conditioning on flights are set to be introduced amid fears that passengers are being exposed to dangerous germs. The emergence of a new flu virus in Hong Kong has prompted increasing concern that the germs could rapidly spread to Britain because of poor air conditions on numerous daily flights into Heathrow. The European Joint Aviation Authority plans to introduce strict new controls on air-conditioning in cabins, adding to already tight measures which require airlines to provide a fresh supply of air six times an hour. The Civil Aviation Authority said: "Controls are already tight. Airlines are required by law to provide no less than 50 per cent fresh air at any one time. Cabin air is also changed up to seven times an hour and aircraft cabins are safer than any other form of transport."

■ WORKPLACE

Women's skills not appreciated

The paths women take after compulsory education are leaving them at a disadvantage in the labour market, according to the Policy Studies Institute. A report published today by the independent think-tank says the allocation of training is exacerbating gender inequality in the workplace and women's skills are not being fully appreciated or utilised by employers.

Manpower survey predicts job buoyancy

By Robert Taylor, Employment Editor

The UK recruitment market will be at its most buoyant in the first quarter of next year than at any time since 1989, according to the survey published today by Manpower, the employment agency.

Executives look forward to growth

Nearly two-thirds of UK business executives believe the new year will usher in a period of sustained economic growth, according to a survey. But more than a third predict an economic downturn next year, Robert Taylor writes.

The report from the Institute of Management says that only 17 per cent of managers think a recession is likely. Most are concerned about rising inflation. Some 83 per cent of managers are concerned about rising skill shortages in 1998.

decline is also predicted in Scotland and north-east England.

"Almost without exception our respondents take a positive view of the immediate future while watching the medium and long term carefully," said Lillian Bennett, Manpower chairman. "However, they are concerned about potential skill shortages and in addition to reviewing their training plans, they are seeking means to achieve greater productivity and flexibility through different approaches to work fulfilment."

Manpower's survey was carried out among 2,221 companies by the group's 170 UK employment offices. The information was gathered during this month and the forecast is until the end of March 1998.

Midlands' exports see upturn

By Richard Wolfe, Midlands Correspondent

Exporters in the UK's industrial heartland appear to have recovered from the worst effects of sterling's rise but are still reporting sales and orders at half last year's levels.

Manufacturers in the West Midlands recorded marginally higher export orders in the final quarter of 1997, after export levels hit their lowest point in 14 years in the autumn.

According to Birmingham Chamber of Commerce, 40 per cent of manufacturers said export orders fell in the three months to December, compared with 45 per cent in the third quarter.

However the impact of orders lost earlier in the year - as sterling reached its highest point against other European currencies - was still emerging towards the end of 1997. Among manufacturing exports, 39 per cent of companies reported worsening sales compared with 27 per cent in the previous quarter.

Richard Ireland, president of Birmingham chamber and chairman of Severn Trent water company, said: "This is a welcome trend, but export sales and orders are still only about half of what they were 12 months ago."

Leftwing MEPs ready to quit

By George Parker, Political Correspondent

Two Labour Euro-MPs are set to quit the party, claiming that Tony Blair, the prime minister, was leading Labour towards a right-of-centre coalition with the Liberal Democrats.

Hugh Kerr and Ken Coates are considering creating a new party, the Liberal Left, a leftwing alliance, bringing together socialists, environmentalists and anti-poverty campaigners.

The two leftwing MEPs, who were expected to be purged by the party leadership ahead of Euro-elections in May 1999, said they were dismayed by the rightward drift of Labour policy.

Privately educated pupils would be made to pay more to study at Cambridge University plans premium fee scheme

By Simon Targett, Education Correspondent

Pupils from fee-paying private schools would have to pay a premium to go to Cambridge University under radical proposals to be unveiled by a group of college bursars next month.

Under the plan, the university would become part of a British-style "ivy league" of elite institutions entitled to charge rich undergraduates extra fees to cover the costs of running world-class courses.

Other universities with a high ranking reputation and a high proportion of wealthy students educated at private schools - including Bristol, Durham, Edinburgh and Oxford - would be invited to join the league.

The fee - which would supplement the £1,000 a year tuition fees to be introduced by the government next year - would be waived for state school pupils under a scholarship scheme financed initially by the government but eventually by business.

The bursars, who represent some of Cambridge's most famous colleges, including Peterhouse, the university's oldest institution, are unhappy that the university authorities may negotiate away the right to charge college fees - and with it the colleges' age-old autonomy - in order to save Oxbridge's £55m of special funding.

Growth in tourism forecast despite strength of sterling

By Scheherazade Demehneh, Leisure Industries Correspondent

The number of tourists visiting the UK will grow in 1998 despite the strength of sterling and financial turmoil in Asia, according to the British Tourist Authority.

The areas of strongest growth are likely to be short breaks and visits to friends and relatives. The BTA expects 26m people to have visited in 1997 and 26.7m in 1998. It forecasts that the amount they spend will rise from £12.7bn (£21bn) in 1997 to £13bn by the end of 1998.

Overseas visitors spent £12.4bn in 1996. The number of tourists from North America increased by 11 per cent in the first nine months of 1997 compared with the same period last year, according to the Office of National Statistics.

But visits from western Europe fell by 1 per cent over the same period. Sterling has increased by 12 per cent against the D-Mark and 11 per cent against the French franc in the last 12 months. Europe is Britain's biggest market, accounting for two-thirds of tourist visits last year.

The BTA said it was difficult to forecast how many tourists would visit the UK from Asia, the fastest-growing outbound market, due to the financial turmoil in the region.

The UK has attracted a growing number of tourists since the recession of the early 1990s, culminating in 1996's record 25.3m.

However, the number of British tourists taking overseas holidays has outstripped the growth in visitors to the UK, leading to a £3.9bn deficit on the tourism balance of payments in 1996, a trend which has continued into 1997.

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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY

Abbey National 5.4% Und
Sb Nts 12/25/2000.0
Abbey National Treasury
7.4% Gtd Nts 1998
FF750.0
Do 8.4% Nts 1997 £862.50
Acres (No 1) Class A Comm
Mtg Bkd FRN 2005 £22.14
Do Class M1 £204.26
Do Class M2 £214.24
Do (No 2) Class A Mtg Bkd
FRN 2007 £143.20
Do Class M1 £193.04
Do Class M2 £203.02
Do (No 3) Class A Mtg Bkd
FRN 2006 £178.66
Do Class M1 £190.88
Do Class M2 £196.46
All Nippon Airways 4.4% Nts
2000 £440000.0
Bank für Arbeit und
Wirtschaftsbank FRN 1999
\$311.55
British Aerospace 11.7% Bd
2008 £583.75
Cadbury-Schweppes 8%
Nts 2000 £80.0
Ebara 4.4% Bd 2000
£450000.0
Fin Revold for Sec
Transactions No 4 Mezz
Asset-Bkd FRN 2010
£2161.08
Do Ssr Asset-Bkd FRN
2010 £688.15
Fleming Worldwide Inc Inv
Tst 1p
Do Units 1p
Fuji Bank Int Fin Und Sb Gtd
FRN £28451.0
Halifax Sb Var Rate Nts
£181.04
Havelock Europa 1.75p
Hitachi Credit 5.4% Nts
2000 £58.75
Italy FRN 2000 \$301.91
Kyushu Elec Power 8.4%
Nts 1999 \$406.25
Metropolitan Water Kent
Water 3% Bd £1.50
Midland Bank Und Prim Cap
FRN (Jun 1995) \$314.78
Narborough Plantations 1.2p
Do 20% Cm Pf 1p
Nat West Bank 8.4%
Step-up Sb Nts 2011
£837.33
Nova Scotia 7% Nts 2000
£370.0
Porthsmouth & Sunderland
Newspapers 4.78p
Residential Prop Secs No 3
Class A2 Mtg Bkd FRN
2025 £1376.88
Do Class B £2129.89
Sabre Int (No 2) Ser P Var
Rate Nts 1998 £23173.0
Skipton Bldg Scty Sb FRN
2000 £40187.81
Smithline Bechem 8.4%
Gtd Nts 2000 £53.75
Smith & Nephew 5.4% Cv
Bd 2000 £275.0
Stars 1 Class A Mtg Bkd
FRN 2029 £33.29
Toyota Motor Credit 7.4%
Nts 1999 £72.50

TOMORROW

Abbey National Treasury
7.4% Gtd Nts 1998 £71.25
Do 7.4% Gtd Nts 1998
£76.25
Bayerische Hypotheken
6.4% Nts 1999 £86.63
Canadian General Invs
C\$0.50
Gartmore Smaller Co's Tst
4.5p
Jersey Phoenix Tst 1.5p
Kyushu Elec Power 8% Nts
1997 £80.0
Morgan Grenfell Equity Inv
Tst 0.85p
National Grid 7.4% Bd 1999
£73.75
Nova Scotia 6.4% Nts 2002
£354.17
Regal Hotel 9% 1st Mtg Db
2006 £4.50
Slough Estates 11.4% Bd
2012 £1162.50
Tendring Hundred Water 4%
Db £2.0
Venantius 7.4% Nts 2002
£54.98
Vtech (Lon Reg) \$0.04
Do (Bermuda) \$0.04
Wah Kwong Shipping
HK\$0.117

WEDNESDAY

Abbey National Treasury 7%
Gtd Nts 1999 £370.0
Do 7.4% Gtd Nts 2003
£77.50
ABSA Global Dep Rcpts
\$0.325
Aggregate Inds 3.85% Cm
Pf 1.925p
Do Cv Rd Pf 3.625p

Do Cm Rd Pf 2005 5.625p
Airflow Streamlines 10% Cm
Pf 5p
Alexanders 9.4% Cm Pf
3.325p
Allied Domecq 11.4% Db
2009 £5.875
Allied Lon Props 10.4% 1st
Mtg Db 2025 £5.375
Anglo & O'seas Tst 8.4% Db
2020 £4.25
Antofagasta 5% Cm Pf 2.5p
Asda Prop 5.4% Cv Pf 2012
2.5625p
Do 9.4% 1st Mtg Db 2020
24.5625
Avon Rubber 4.9% Cm Pf
2.45p
Bampton 8.4% Un Ln 2002/
07 £4.125
Baring Tibane Inv Tst 9.4%
Db 2012 £4.5625
Blue Circle 7.4% Cv Pf
3.8125p
BOC 4.55% Cm Pf 2.275p
Do 2.8% Cm 2nd Pf 1.4p
Do 3.5% Cm 2nd Pf 1.75p
Bodycote 3.5p
Brailme (TF & JH) 5% Cm Pf
2.5p
Brake Bros 3.2p
Bridon 8.4% Un Ln 2002/07
£3.3125
Do 7.4% Un Ln 2002/07
£3.875
Bristol Water 3.4% Perp Db
£1.75
Do 4% Perp Db £2.0
Do 4.4% Perp Db £2.125
Britannic Assurance 5%
Tax-Free Cm Pf 2.5p
Britax Int 0.85p
British Fittings 5.4% Cv Pf
2.75p
British Guiana Demerara
Rtwy 4% Perp £2.0
Do Anns 50p
Brixton Est-5% Cm Pf
0.875p
Do 8.4% 1st Mtg Db 2028
£4.75
Do 11.4% 1st Mtg Db 2023
£5.625
Do 10.4% 1st Mtg Db 2025
£5.375
Broadstons 6% Cm Pf 2.1p
Brunner Inv Tst 5% Cm Pf
£1.75
Burford 9.4% 1st Mtg Db
2019 £4.8125
Capital & Counties 11.4%
1st Mtg Db 2021 £5.625
Do 9.4% 1st Mtg Db 2027
£4.9375
Capital Inds Cv Pd 2001/05
4p
Cap & Regional Props 8.4%
Cv Un Ln 2006/16 £3.375
Capital Shopping Centres
6.4% Sb Cv Bd 2006 3.125p
Care First 11.8% 1st Mtg Db
2014 £5.90
Chamos 7% Cm Pf 2.45p
Chelsea Bldg Scty Sb FRN
1999 £39383.56
City of London Inv Tst
11.4% Bd 2014 £5.75
City State Estates 7% Un Ln
2005/06 £3.50
Clydeport Operations 4%
Ird £2.0
Coats Patons 4.4% Un Ln
2002/07 £2.25
Do 6.4% Un Ln 2002/07
£3.375
Cobham 4.2% 2nd Cm Pf
2.1p
Commercial Union 8.4% Cm
Ird Pf 4.375p
Commonwealth Bank of
Australia 10 Yr Ext FRN
\$304.43
Cookson 7% Cm Pf 2.45p
Co-operative Wholesale
7.4% 1st Mtg Db 2018
£3.6125
Coutts Consulting 2nd Cv Pf
4p
Croda Int 5.9% Pf 2.95p
Do 6.6% Pf 3.3p
Daewoo Heavy Inds 4% Cv
Bd 2007 \$11.32
De Beers Centenary Fin
9% Gtd Bd 2020 4.875p
Delta 4.2% Cm 1st Pf 2.1p
Do 3.15% Cm 2nd Pf
1.575p
Dencora 6.4% Rd Pf 3.125p
Den Danske Bank Sb FRN
2000 \$306.87
Denmark (Kingdom of) 13%
Ln 2005 £5.50
Derby Tst 7.4% Db 1999/
2003 £3.75
Dunyst Inv Tst Cv Mnthly
0.5p
Eastbourne Water 11.2% Rd
Db 2005/09 £5.60
Do 12.4% Rd Db 2004
£5.25
Ecclesiastical Ins 10% Cm
2nd Rd Pf 5p
Do 8.4% Non-Cm Ird Pf
4.3125p

Edinburgh Inv Tst 11.4% Db
2014 £5.75
EIS 5% Cm Pf 1.75p
EMAP 5% Cm Pf 1.75p
Energy Cap Inv 6% Cv Ln
1999 £2.08
Estates & Agency 11.4% 1st
Mtg Db 2020 £5.625
Estates & Gen 11.4% 1st
Mtg Db 2018 £5.625
Fidelity Euro Values Equity IL
Un Ln 2001 1.0514p
Fidelity Special Values
Equity IL Un Ln 2004 39.24p
Finlay (J) 1.8p
Do 4.2% Cm 1st Pf 2.1p
Do 4.2% Cm 2nd Pf 2.1p
Do 5% Cm 2nd Pf 2.5p
Flare 10% Cm Pf 5p
Fleming American Inv Tst
5% Cm Pf £1.75
Do 7% Cv Un Ln 1899
£3.50
Fleming Claverhouse Inv Tst
11% Db 2008 £5.50
Fleming Inc & Grwth Inv Tst
5% Cm Pf £1.75
Fleming Overseas Inv Tst
5% Cm Pf 1.75p
Folkestone & Dover Water
4% Perp Db £2.0
Do 5% Perp Db £2.50
Do 11.4% Rd Db 2004
£5.75
F & C Inc Grwth Inv Tst 0.8p
F & C Inv Tst 11.4% Db
2014 £5.625
Fortnum & Mason 7% Cm
Pf 2.45p
Friendly Hotels 5% Cv Pf
2.5p
Frogmore Ests 13.85% 1st
Mtg Db 2000/03 £8.925
Fudrum Inv Tst 1.4p
GATX \$0.46
G.L. 10.4% 2nd Cm Pf
5.25p
Gartmore Shared Equity Tst
Geared Inc 2.475p
Gaskell 5% Cm Pf 1.75p
Geest 4p
General Cons Inv Tst Stppd
P 2.492p
Glynned Int 7.4% Cm Pf
2.125p
Govett Oriental Inv Tst 0.2p
Grampian 7% Cm Pf 2.45p
Great Universal Stores 5%
Rd Un Ln £2.6875
Do 6.4% Rd Un Ln £3.1875
Guardian Media 4% Cm Pf
1.4p
Halstead (J) 5.4% Pf 1.925p
Hawthorn 4.55% Pf 2.275p
Headlam 5.9% Pf 2.8p
Henderson-Elec & Gen Inv
Tst 10.1% Db 1997/2002
£5.05
Hughes (TJ) 0.97p
Hunting 3p
Do 4.2% Pf 2.1p
IMI 5.4% Un Ln 2001/06
£2.75
Inchcape 4.4p
Invesco Enterprise Tst Cm
Rd Stppd Pf 7.125p
Jarvis Hotels
3.80125-6.84225% Stppd Int
1st Mtg Db 2004 2.28075p
Jones & Shipman 4.9% Cm
Pf 0.6125p
Jupiter Geared Cap & Inc
Tst 1999 1.5p
Kayser Bondor 8% Cm Pf
2.1p
Kilroot Elec 9.4% Db 2008/
10 £4.75
Kleinwort O'seas Inv Tst 4%
Cm Pf £2.0
Kvaerner 7% Un Db 3.5p
Laird 8.9p
London Park Hotels 10.4%
1st Mtg Db 2000/05 £5.25
London Town 1p
Mangrove Bronze 8.4%
Cm Pf 2.8875p
Marley 11.4% Db 2009
£11.875
Marshalls 11.4% Db 1992/
2014 £5.6875
Marshalls Universal 7.4% Rd
Pf 3.75p
Marston Thompson &
Evershed 7.4% Db 2027
£0.993151
Marylebone Warwick
Balfour 7.4% Cv Un Ln 2020
£3.75
MEPC 12% Bd 2008 £800.0
Merchant Retail 8.4% Un Ln
1999/2004 £4.375
Merivale Moore 10.4% 1st
Mtg Db 2020 £5.25
Mid Kent Water 4% Perp Db
£2.0
Do 5% Perp Db £2.5
Mid Southern Water 3.4%
Perp Db £1.75
Do 5% Perp Db £2.50
Molyneux Fin 8.4% 1st Mtg
Db 2019 £4.125
Mowlem (J) 1.5p
Mucklow (A & J) 7% Cm Pf
2.45p

Murray Int Tst 4% Db £2.0
Nedcor Global Dep Rcpts
R1.44
Newton Chambers 5% 1st
Cm Pf 1.75p
NHL (3) Class A2 Did Int
Mtg Bkd FRN 2036
£123.25
Do Mezz £164.10
Northern Rock Bldg Scty
12.4% Perp Sb Nts £83.125
Northern Telecom \$0.15
North Surrey Water 5% Db
£2.5
Northumbrian Water 3.4%
Rd Db 2012 £1.875
Do 12% Rd Db 2005 £8.0
Parma Food Jnr Asset Bkd
FRN 2000 £1824828.0
Do Ssr Asset Bkd FRN
2000 \$1525.35
Partners 0.5p
Pascos 7.4% Cv Pf 3.75p
Pittards 9.5% Cm Pf 4.75p
Plantation & Gen Invs 9%
Cv Ln 1999 £4.50
Polyhedron 10% Cm Pf 5p
PowerGen 9p
Quarto 8.75p Pf 4.375p
Queens Moat Houses 12%
1st Mtg Db 2013 £8.0
Quicks 10% Cm Pf 5p
REA 8% Cm Pf 4.5p
Do 12% Ln 2000 £8.0
RJB Mining Gtd FRN 1997
£216.09
Regal Hotel Cv Rd Pf 2001
4p
Regis Prop 8.4% Gtd Un Ln
1997 £4.375
Retail Corp 6.4% Cm Pf
2.275p
Do 5.4% Cm 2nd Pf
2.0125p
Robinson (Rydens Green)
11% Pf 5.5p
Rotork 9.4% Cm Pf 4.75p
Royal Bank of Canada Ftg
Rate Db 2005 \$52.71
Royal Bank of Scotland
5.4% Cm Pf 1.925p
Do 11% Cm Pf 3.85p
Do Ser B Non-Cm Pf \$0.70
Do Ser C Non-Cm \$ Pf
\$0.59375
Rugby 8% Un Ln 1993/98
£3.0
Do 7.4% Un Ln 1993/98
£3.875
St Andrews Tst 5.4% Cm Pf
£1.8375
Savoy Hotel 4% 1st Mtg Db
£2.0
Schroders 8.4% Un Ln
1997/02 £4.375
Schroder Split Fd 2.1p
Scottish Eastern Inv Tst
4.4% Cm Pf £1.575
Scottish Mortgage & Tst
6-12% Stppd Int Db 2026
£6.0
Scottish National Tst 6%
Cm Pf 2.1p
Severn River Crossing 8% IL
Db 2012 £3.497
Shires Smaller Co's 1.375p
Simon Eng 9.4% Db 1992/
97 £4.625
Sirdar 7.4% Cm Pf 2.625p
Slough Estates 11.4% 1st
Mtg Db 2019 £5.625
Do 12.4% Un Ln 2009
£6.1875
Smithline Bechem 1.225p
Smurfit (Jefferson) 6%
Gross Pf IF2.7p
Sunderland 3% Fd Debt
Anns £1.50
Do 4.4% Fd Debt Anns
£2.25
Sutcliffe Speakman 9.4%
Cm Pf 4.75p
Sven Hill 7% Cm Pf 2.45p
Temple Bar Inv Tst 9.4% Db
2017 £4.9375
Toolal 4.4% Perp Db £2.375
Transport Dave 4.7% Pf
2.35p
Do 8.4% Un Ln 1993/98
£4.125
TR Technology Stppd Pf
3.678321p
Do Units 15.513284p
Unichem 3.2p
United Auctions 4p
United Kingdom Prop 8.4%
Un Ln 2000/05 £4.25
Waddington 4.2% Cm Pf
2.1p
Do 5.8% Cm Pf 2.8p
Watnoughs 8.4% Cm Rd Pf
2006 4.125p
Wells Fargo Sb FRN 2000
\$53.28
West Kent Water 4% Perp
Db £2.0
Whitpool \$0.34
Widney 8.78% Cv 2nd Pf
2000 4.38p
Wilson (Connolly) 8% Cm
1st Pf 2.8p
Do 10.5% Cm 2nd Pf 5.25p
Wolverhampton & Dudley
Brews 8% Cm Pf 2.8p

Wood (A) 7.4% Cm Pf
2.625p
Wywale Garden Centres
8.5p Cv Pf 4.25p

THURSDAY
JANUARY 1
BICC Cv Pf 4.3p
Barbados 13.4% Ln 2015
6.75p
Baynes (C) Cv Pf 2.9p
Birmingham 2.4% 1926
£1.25
Do 3% 1947 £1.50
Do 3% 1932 £1.50
Do 3.4% 1946 £1.75
Do Gas Anns 50p
Do Water Anns 50p
Blackburn 3.4% Ird £1.75
Do 4% Cons Db Ird £2.0
Blockleys 8% Cm Pf 1.05p
Lockier (T) 0.3p
Do 1% 1.925p
Do 7% Cm Pf 2.45p
Calgary & Ed Rwy 4% Db
2002 £2.0
Can Pacific 4% Perp Db
£2.0
Coastal \$0.10
Commercial Union 3.4% Cm
Pf 1.75p
Crane Europe 5.4% Pf
1.925p
Denmark 3.4% Ln 1901
£0.48275
Elliott (B) 3.15% Cm Pf
1.575p
Fleming O'seas Inv 4.4%
Perp Db £2.25
Friendly Hotels 4.4% Cv Pf
2.375p
Do 7% Cv Pf 3.5p
Do 11.4% 1st Mtg Db 2015
£5.5625
Fuller Smith &
Turner 4.2% Pf 2.1p
Do 8% 2nd Pf 4p
GTE \$0.47
Hampton Tst 5.4% Cm Rd
Pf 2.75p
Do 8% Cv Un Ln 2020 £4.0
Hewitson 7% Cm Pf 3.5p
Hull 3.4% £1.75
Island Cv Pf 2.75p
Kensington & Chelsea
11.15% Rd 2008 £5.575
Liffeshall 5% Pf 1.75p
Do 9% Cv Pf 4.5p
Lincoln 3% Rd £1.50
Liverpool 2.4% Rd £1.25
Do 3.4% 2nd Pf 4.375p
Do 3.4% £0.875
Lowland Inv 11.4% Db 2010
£5.625
Merchant Retail 0.1p
Mersey Docks 3.4% Ird Db
£1.8125
Mucklow (A.J.) 11.4% 1st
Mtg Db 2014 £5.75
Murray Income Tst 4.4% Pf
2.125p
New Brunswick Rwy 4%
Perp Db £2.0

Newcastle upon Tyne 3.4%
Ird £1.75
Newey 5% Cm Pf 1.75p
Oldham 4% Db £2.0
P & O 8.4% Cv Pf 3.375p
Port of London 3% A 1929/
98 £1.50
Powell Duffryn 4.4% Cm Pf
0.83125p
Reading 3% £1.50
Reckitt & Colman 5% Pf
1.75p
Renold 8% Cm Pf 2.1p
Republic New York \$0.46
Russell (A) 5.4% Cv Pf
2.875p
Savoy Theatre 4% 1st Mtg
Db £2.0
Sears 7% A Pf 2.45p
Do 7.4% Pf 2.625p
Do 12.4% Pf 4.375p
Simon Eng 5.4% Pf 2.7p
Do 6% Pf 2.1p
Simons 7.4% Pf 2.625p
Swansea 3.4% £1.75
Three Valleys Water 4% Ird
Db £2.0
Do 3.4% Ird Db £1.75
Do 4% Ird Db 1994 £2.0
Do 5% Ird Db £2.50
Do 5% Ird Db 1994 £2.50
UK Estates 6% Cv Pf 3p
WT Foods 0.5p
Xerox \$0.32
Young & Co's Brew 3.4%
Ird Db £1.75

FRIDAY JANUARY 2
AG 4p
Abbey 7.4% Cv Pf 3.625p
Amec 1.75p
Anglian Water 5.4% IL Ln
2008 £3.3928
Annington Fin No 1 7.4%
Sec Bd 2007/11 £193.75
Do 8% Sec Bd 2012/21
£200.0
Armour Tst 0.54p
BICC 4p
Baxter Int \$0.291
Booker 8.3p
Bradford Property Tst 4.1p
Bridgend 0.1p
Bristol Water 4% Cons Db
£2.0
British Empire Sec & Gen
Tst 8.4% Db 2023 £4.0625
Do 10.4% Db 2011 £5.1875
British Sugar 10.4% Rd Db
2013 £5.375
Brunel Cv Pf 2.3p
Bulmer (HP) 9.4% Pf 4.75p
Do 8.4% 2nd Cm Pf 4.375p
Cambridge Water 5.03p
Do N/Vtg 5.03p
Do 4% Cons Perp Db £2.0
Do 13% Rd Db 2004 £5.50
Carlton Comms Cv rd Pf
3.25p
Chester Waterworks 11.4%
Rd Db 1998/2000 £5.8875
Clarendon Garments 2p
Donatantonio 0.6p
Elam 0.5p
European Telecom 0.9p

Evans of Leeds 1.17p
Exeter Inv 3.1p
Fellistown Dock & Rwy Pf
Units £3.25
First Dab Fin 11.4% Sev Gtd
Db 2018 £5.5625
F & C Special Utilities Inv
Tst 3.81p
Do Units 3.81p
Do S 2.2p
Fortnum & Mason 4p
General Accident 12.5p
Do 8.4% Cm Pf 4.4375p
Guardian Royal Exchange
3.9p
Hartstone 8% Cm Pf 4p
Henderson Far East Inc Tst
1.7p
Hercules Property Serv's 3p
Hillsdown 2.2p
Johnson Grp Cleaners Cv Pf
3.75p
Do 9% Cm Pf 3.15p
Joseph (Leopold) 4.5p
Lloyds Bank 12% Sb Bd
2011 £1200.0
Lockier (T) 0.3p
Lyles (S) 1.5p
Manchester Ship Canal
3.4% Perp 1st Mtg Db £1.75
Do 3.4% Perp Db £1.75
Do 4% Perp 1st Mtg Db
£2.0
Do 4% Perp Db £2.0
Martin Int 0.5p
McCarthy & Stone 8.4% Cm
Pf 2003 4.375p
McKee 13p
MEPC 10.4% 1st Mtg Db
2024 £5.375
Merchant retail 5% Cm Pf
2.5p
Meyer Int 4.5p
Mid Kent Water 12.4% Rd
Db 2005 £8.125
Mid-Sussex Water 4% Perp
Db £2.0
Do 5% Perp Db £2.50
Do 11% Rd Db 2012/18
£5.50
Morrison Construction 1.8p
Mucklow (A & J) 3.6679p
New South Wales Treasury
11.4% Gtd Exch Bd 1999
AS\$75.0

Next 4.6p
Photo-Me Int 3.5p
Plantation & Gen 9.4% Cm
Pf 4.75p
Rights & Issues Inv Tst
14.4878p
Do 5.4% Cm Pf 5.5p
Rio Tinto 3.325% A Pf
1.6625p
Do 3.4% B Cm Pf 1.75p
Rubicon 6% Cm Pf 1.05p
Sabre Lease Mngmt 7.4%
Mezz Nts 2001 £181.25
Do 5.8% Ssr Sec Nts 2001
£1450.0
Sara Lee \$0.23
Sears Roebuck \$0.23
Silentnight 3.3p
South Staffordshire Water
Hldgs 34p
Do 9% Rd Pf 1998/2000
4.5p
South Staffordshire Water
3.4% Perm Db £1.75
Do 4% Perm Db £2.0
Do 5.4% Perm Db £2.50
Do 9.4% Rd Db 1998/2000
£4.625
Stratagom 2p
TMC PIMBS 2nd Fin Ord
Class Nts No 3 Jul 2030
£9124.76
Tops Estates 10.4% 1st Mtg
Db 2011/16 £5.125
Town Centre Sec 2.7p
Tyazack Precision 0.75p
Wick 3.7p
Wilco Coroon 1.65p
Yeoman Inv Tst 7.8p

SATURDAY
JANUARY 3
Alida 9.4% Cm Pf 2008/13
4.625p
Brent Int 9% Cm Pf 4.5p
British Polythene 9.4% Cm
Pf 4.625p
Business Post 4.4p
Peek 0.4p
Temple Bar Inv Tst 4.2%
Cm Pf 2.1p

SUNDAY JANUARY 4
African Dev Bank 11.4% Ln
2010 £5.5625

UK COMPANIES

TODAY

COMPANY MEETINGS:
OEM, 2-5, Stedham Place,
W.C., 10.00
Paramount, Steam Mill
Business Centre, Steam
Mills Street, Chester, 11.00
Tepnel Life Sciences, Toft
Hall, Knutsford, Cheshire,
10.00

FRIDAY JANUARY 2

COMPANY MEETINGS:
MMP Computing, 14, Angel
Gate, City Road, E.C., 2.00

Company meetings are
annual general meetings
unless otherwise stated.
Please note: Reports and
accounts are not normally
available until approximately
six weeks after the board
meeting to approve the
preliminary results.
This list is not necessarily
comprehensive since
companies are no longer
obliged to notify the Stock
Exchange of imminent
announcements.

This announcement appears as a matter of record only



Issue of Perpetual Zero Coupon Bonds
Issue Amount: Euros 600,000
Project UNICEF Bolivia

Subscribers

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Banco CISF
Credit Suisse Financial Products
Santander Investment
Banco Bilbao Vizcaya, S.A.
Banesto
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Goldman Sachs International

ABN AMRO Bank
Caja Catalunya
Caja Segovia
Clifford Chance
Deutsche Morgan Grenfell
FTSE International
Paine Webber International Plc
Sa Nostra Caixa de Balears
Sol Melia, S.A.
Ahorro Corporación Financiera SVB S.A.
Caja de Burgos
C.E.C.A.
Credit Agricole Indosuez, Sucursal en España
Dexia Banco Local
Mutualidad de la Abogacia
Rotary International
SBC Warburg Dillon Read
Uribe & Menéndez

Co-operating Entities

ABC
Cinco Días
El País
Financial Times
ITT Sheraton
Brunswick Group Ltd
Diario 16
Expansión
Gaceta de los Negocios
Ludgate Communications
CF Comunicación
El Mundo
Euroweek
IFR

The Business
of Travel

on Thursday February 5 1998

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FT Surveys

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THIS WEEK

What do you call someone who speaks three languages? asks the Brussels-based diplomat from the Netherlands, before answering it himself with a smirk appearing on her face. "Trilingual." Question: "What do you call someone who speaks two languages?" Answer: "Bilingual." Q: "And one language?" A: "English."

The joke always gets a laugh - especially from the diplomat. But are the English really so bad at speaking other languages? And, with the use of English increasing throughout the world, does it matter? The questions are pertinent because the UK will this week assume the presidency of the European Union for six months, and the government will more than ever have to devise the most effective ways of communicating with its colleagues in the other 14 EU countries.

Ministers and civil servants have been taking lessons in

French - probably still the most common language in EU institutions, even if English is fast catching up. They are being advised to stick to English on formal occasions and use interpreters.

But linguists say ministers will win friends if they can conduct the occasional informal conversation in another language. Some will no doubt regret lost opportunities in school French lessons.

David Crystal, grammarian and author of books on the English language, has no doubts about English speakers' deficiencies: "Two-thirds to three-quarters of the human race are bilingual, but in the UK and the US all but a tiny proportion are monolingual. The English do not put the same resources into language teaching as others, and since the 17th cen-

DATELINE

Brussels: The English are notorious for their lack of language skills. But it is no laughing matter, writes Michael Smith

There has never been any particular interest in learning foreign languages.

According to Mr Crystal, the roots of the English complacency were laid down during the indus-

trial revolution when people had to go to Britain to find out about inventions. They were strengthened by the influence of the US on world politics and culture.

Here in Brussels, English speakers are frequently struck by the proficiency of Belgians at languages. Go into a shop and ask a question in what you think is fluent French and the chances are you will get a reply in fluent English - this in a country where the official languages are French, Dutch and German.

Colette Flesch, director-general of translation at the European Commission, says large countries produce fewer good linguists than small countries. She comes from Luxembourg, where many citizens can speak French, German and English as well as their native tongue. "In Luxembourg

we have no choice because as soon as we travel 50 miles we have to speak another language." Ms Flesch believes the British command of languages has improved sharply in recent years, a view shared by David Thompson of Linguarama, the languages tuition company. "Language tuition 20 years ago was very much for the multinational companies," he says. "Increasingly, professional firms and government ministries are sending us their employees."

Even so, English speakers appear less diligent in their studies than others - or are given less encouragement by employers. Linguarama grades students from zero to five in competence levels. Mr Thompson says it is common for English people to start work abroad with

a grade of less than two in the language they will be speaking, while most non-English speakers begin work in the UK on grade three English. "The British are more prepared than others to muddle through when they arrive in another country."

Given the growing use of the English language around the world and in the EU, that is perhaps not surprising. There are now at least 1.5bn English-speakers around the world. In Europe more than 40 per cent speak English.

The entry to the EU in 1995 of Finland and Sweden, where English is widely spoken, has already sharply increased the use of English in the EU, a trend that worries both the French and the Germans. It is likely that EU expansion into eastern

Europe will have a similar effect. "At first we thought the east Europeans would want to speak German," says Tony Scott, head of the English unit in the Commission's interpreting service. "But at the moment they all seem to be learning English."

Experts are united in warning the UK against using this as an excuse to stop improving their languages. "Unless you speak other languages you have no idea how much of an advantage it is," says Ms Flesch. "I used to be a foreign minister and I know that when I made the effort to speak, say, Dutch, it was appreciated. I could negotiate better."

Mr Crystal is more blunt: "There are very strong economic arguments for English-speakers learning other languages. If you are selling it helps to have a sympathy and ability in a foreign language. English is spoken by at least a quarter of the world. But that means three-quarters do not speak it."

The Monday Profile: Melvyn Weiss

A force to be reckoned with

From his corner office above Madison Square Garden, Melvyn Weiss commands views across the entire Manhattan financial district. In the past three decades he has come to be one of the most feared men throughout this territory, having established a reputation as one of America's most effective plaintiff's lawyers.

Mr Weiss took a leading role in developing the concept of class action lawsuits, and used it to hold the Wall Street community to account in a string of cases that have tested securities law. Plaintiffs he has represented include Alaska residents after the Exxon Valdez oil spill, and investors in companies hurt by the collapse of Michael Milken's Drexel Burnham Lambert investment bank.

Some of the payouts involved have been enormous - in the case of Washington Public Power Supply System Securities, one of the largest bond defaults in US history, he recovered \$775m, while in the case of Drexel he retrieved more than \$800m.

But his latest case could be the highest, and has created international repercussions. Mr Weiss is the litigious attorney for the more than 30 US legal firms that are suing the assets of Holocaust victims during the second world war. He and 21 other firms are acting "pro bono" - without fees.

The class action is attracting strong support in the US, and the legal team has been contacted by about 80,000 potential claimants. It has made clear that it is bringing the action on behalf of all the Nazis' victims, not just those who were Jewish.

The case is still stalled in a Brooklyn court but the legal team is continuing its investigation, retaining economists to estimate the total economic benefits the banks reaped from the war.

The Swiss bankers had applied to have the suit dismissed on the basis that consensual measures are already under way to settle the issue, through the panel chaired by Paul Volcker, a former



mer chairman of the Federal Reserve. But Mr Weiss plainly believes there is no alternative to litigation: "We are dealing with the inability of diplomacy to solve this problem."

He also disputes the methods of the Volcker commission, which is attempting to calculate the exact amounts owed. "If we get trapped into thinking this about that, which we can justify with precision, we aren't doing justice to those who suffered from these wrongs, because 52 years of obfuscation make it impossible to reconstruct with precision. We aren't going to play that game," he says.

This development has alarmed the Swiss more than any of the other campaigns for restitution

launched in the past two years. As Mr Weiss puts it: "They know who we are. They've studied us inside and out. We are seasoned lawyers and we are well financed and we aren't going away."

Both the lawyers and the banks are now in uncharted waters. Mr Weiss flew to Zurich this month to face the banks' chief executives in a meeting brokered by the US State Department, but those negotiations remain embryonic and both sides are braced for litigation that could last some years.

The Swiss banks may not be the only corporations to face legal actions. "Two months ago a wonderful gentleman, Jerry Blumenthal, a survivor of six concentration camps who was used as a

slave labourer, came to see me urging me to bring an action for slave labourers against the companies that were unjustly enriched through slave labour," he says.

While Mr Weiss gives no hints on whether he is ready to launch such an action, it has the potential to affect some of the most powerful industrial conglomerates in Europe. There are also distinct signs, with the US stock market continuing to show severe jitters after its prolonged bull run, that he may have more work to do closer to home.

He suggests that this may have something to do with the strong attacks on the legal profession from Wall Street. Previous newspaper reports have referred to him as a "crocodile lawyer", and there is heavy criticism for the money that class action lawyers, almost always paid on a contingency basis, can attract.

Typically, they receive about a third of the total settlement awarded. But the lawyers bear all the costs of investigation, and as they are paid on contingency they bear the risk that they are unsuccessful. They also have to factor in the risk of dealing with an unsympathetic judge.

"We are under attack here in the US because what corporate America has done is take what I think is one of the greatest things in our system - access to the courts - and make it what they call a litigation tree grown in a lawyer's garden. They've portrayed it as a mechanism for lawyers getting richer, rather than for victims getting remedies and wrongdoing being deterred."

"That's an ironic twist because there's more fraud going on in this country than ever before, and Wall Street is clearly selling junk all over the place. But it's the lawyers who are trying to run it in who are being criticised. It's like turning the world on its head. Other companies and investors come to the US from all over the world precisely because they sense they can get justice here," he says.

John Authers

FT GUIDE TO:

ROUBLE REDENOMINATION

Redenomination? What bava those crazy Russians come up with this time?

At midnight on December 31, the Russian central bank will lop three zeroes off the long-suffering rouble. This numerical sleight of hand is supposed to help restore popular faith in the bruised rouble, whose value has plummeted nearly 10,000-fold since the Soviet Union collapsed.

Thanks to triple-digit inflation, the rouble today trades at about 6,000 to the dollar. A million roubles, known in slang as a limon, or lemon (in Russian it rhymes with million), has become a fairly commonplace unit of money.

These stratospheric figures do little to bolster the ordinary Russian's already battered confidence in the national currency. And so the central bank is, as it were, giving the rouble a facelift.

Why make the change now?

In theory, rouble redenomination was meant to be the crowning achievement of six years of turbulent market reforms. Having kept the Communists out of the Kremlin in the 1996 presidential elections, the Yeltsin administration hoped to complete its market reform drive this year. The prediction was that 1997 would be a year of falling interest rates and lower inflation. These fundamentals were to lay the groundwork for 1998, when the government hoped that, after nearly a decade of contraction, the Russian economy would at last start to grow.

The new slimmed-down rouble, introduced just as the good times started, would be the symbol of the new era with the days of hyperinflation and depression in the past. But the financial crisis in Asia has infected Russia, forcing the government to spend billions of foreign reserve dollars to defend the rouble and push interest rates back above 30 per cent.

The central bank is determined to go ahead with redenomination, but the new rouble will be the standard-bearer of a financial system that is much shakier than the Kremlin had hoped.

What happens to the old inflated roubles?

The aim is to change the number of zeroes on Russia's banknotes. The old roubles will be legal tender until the end of 1998 and the central bank will continue to exchange old roubles for four years.

Do Russians think it is a good idea?

Definitely not. In theory, Russians are happy to replace their inflated national currency with a dignified banknote that can hold its own against the dollar and D-Mark.

But 70 years of Communism and nearly seven years of capitalism have taught ordinary Russians to be deeply suspicious of the government and private traders. In spite of constant official reassurances to the contrary, many believe the January 1 redenomination will be a repetition of the confiscatory monetary reforms they endured under Stalin and Khrushchev. They still remem-

ber the botched reform of 1991 when people had just three days to trade old banknotes for new, creating panicked queues outside Russian banks and depriving millions of their life savings.

If the government does not get their message, most Russians think the merchants will. Russians believe stores will use the redenomination to increase prices so many are snapping up goods before the change. Others are switching their savings to the banknote which, at least for now, is still Russia's favourite currency: the US dollar.

Why do all goods in Russia have two prices?

This is part of the central bank's sophisticated public relations campaign to convince Russians that redenomination will not be a rip-off.

To help Russians get used to the idea of slimmer roubles, and to remind them that the old banknotes will be valid for another year, all merchants have to post two prices - one in old roubles, the other in new. The central bank is also bombarding the Russian airwaves twice an hour with advertisements for the new currency.

But there are no advertisements forewarning visitors from North America and much of western Europe. They already find restaurant bills in the millions and hotel bills in the billions traumatic. Facing two bills, which differ by a factor of 1,000, may be worse.

But foreigners should take heart. After a few months of confusion, the redenomination is likely to make Russian prices more familiar for foreign visitors - except, of course, for the Italians.

What is a YE and will it be redenominated too? For the past couple of years, many Russian stores and restaurants have displayed prices in YEs, an imaginary currency that could only have been dreamed up by a nation with centuries of experience in evading bureaucratic edicts.

YE is an abbreviation for *ustanovlennaya yedinitsa*, which means "theoretical unit", a non-existent currency whose rate of exchange to the rouble is, magically, identical to that of the dollar.

When the government began to discourage posting prices in dollars, Russia's inventive merchants came up with YEs, a Jesuitical formulation that allowed them to follow the letter of the law but also avoided the inconvenience of working with the ever-inflating rouble.

In preparation for the rouble redenomination, Russian authorities have toughened their insistence that all goods and services be sold only in roubles. Even credit card sales, which until recently could be transacted in foreign currencies, must now be done in roubles.

But the hardy YE refuses to die. It has been spotted on several recent shopping excursions around Moscow and, laws notwithstanding, will probably linger on until Russians are convinced the redenominated rouble is immune from the fate of its bloated predecessor.

Chrystia Freeland



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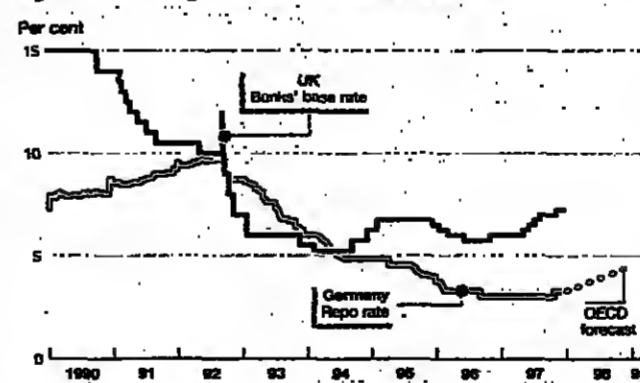


Wolfgang Münchau • Economics Notebook

On the outside looking in

Holding back from Emu may not be such a safe option for the UK

Synchronicity: rates move closer



A fixed term of eight years. Tony Blair, UK prime minister, will not have a vote when other EU leaders take the decision. However, if he is lucky, they might keep a seat warm on the ECB's executive board until the UK joins.

The ECB will set up office around June next year. One of its first decisions will concern its internal operating structures. There is a possibility that the executive board will be based on the French system of cabinets - groups of hand-picked advisers - rather than being made up of career officials, as is common in the UK and Germany.

The UK cannot influence the decision but will have to accept the structure once it joins.

With the UK on the outside, the ECB is certain to adopt minimum reserve requirements,

which UK officials regard as damaging to the City of London. These in effect act as a tax on financial transactions.

They have long lost their standing as a policy tool, but proponents argue that the Asian financial crisis highlights the need for minimum reserves as an emergency instrument.

With the UK out, the ECB may adopt a moderated form of monetary targeting - a policy based on the pursuit of pre-defined money supply targets.

The UK and Sweden operate a system of inflation targeting, where the government picks an inflation rate for the central bank to target. But neither country will be part of the first wave of Emu.

The next set of risks could stem from developments in the economy and financial markets. Currency experts disagree on whether the euro is going to be strong or weak. But most think

It might be volatile, leaving sterling trapped in the crosswinds of the euro/dollar exchange rate. Yet, in order to qualify for Emu, the UK will have to demonstrate two years of exchange rate stability. Even the argument that asynchronous business cycles favour late entry might be tenuous.

It is true that the UK and continental economies are out of synch. Nominal short-term interest rates in the UK are 7.25 per cent compared with 3.3 per cent in the euro-zone.

But by 1999, the gap will have narrowed significantly, according to the latest forecasts. UK interest rates will still be higher than euro-rates in 1999. But it is unclear whether that difference will be greater or less in 1999 than in 2002, or indeed in any other year.

The risk in late entry could turn out to be far more symmetric than widely estimated, or even inversely asymmetric: they might rise more the longer the UK waits.

It is conceivable that by 2002 the UK government may find that the political obstacles of joining Emu are too onerous; or that sterling might be too volatile; or that the economy is in recession; or that its comfortable parliamentary majority may be reduced.

It was Mr Brown who said recently: "We are all long-termists now."

In contemplating UK entry into Emu, we might not have a choice.

Email: wolfgang.munchau@FT.com

Handwritten signature: Wolfgang Münchau

OPENINGS



NEW YORK
Philip Langridge (above) sings the title role in a revival of Peter Grimes tonight at the

Metropolitan Opera. The cast also includes Patricia Racette as Ellen Orford and Alan Ogie as Balstrode. David Atherton

conducts. There are four further performances, the last being a matinee on January 10.
Not content with conducting the Met's current run of Boris Godunov, Valery Gergiev joins the New York Philharmonic Orchestra on Wednesday for a New Year's Eve gala. He follows this on Friday with the first of three performances of Mahler's Sixth Symphony. Saturday is Gergiev's big day: Musorgsky at the Met in the afternoon, Mahler at Avery Fisher Hall in the evening.

EDINBURGH
The New Year begins with the National Gallery of Scotland's annual display of 88 Turner watercolours (right), bequeathed by Victorian art collector Henry Vaughan. These works are only on show in January, when the

light is weakest and least destructive to the paintings. The Vaughan bequest includes examples from every period of Turner's development, and the display



has been expanded to include other watercolours by Turner, acquired more recently by the Gallery. Admission is free - even on New Year's Day.

BERLIN
The Berlin Philharmonic Orchestra's festive end-of-year concerts at the Philharmonie bring together a galaxy of stars from the classical music world, including Bryn Terfel (right), Anne Sofie von Otter (above), José Cura, Mikhail Pletnev and Claudio Abbado. The



programme tomorrow and Wednesday consists of extracts from Carmen and a selection of orchestral bon-bons.

GENEVA
Judith Howarth (left) sings the title role in a new production of Donizetti's *La fille du régiment* at the Forcés Mottises on New Year's Eve. The cast also includes Sarah Walker and Gules Cachemallo. The show runs till January 18, with Annick Massis replacing Howarth in some performances.

VIENNA
Zubin Mehta (below) conducts the Vienna Philharmonic's New Year's Day concert at the Musikverein. Mehta has presided over the event on two previous occasions, in 1990 and 1995.

GUIDE TO:
DENOMINATION

Are you a Classical Purist, or a Mainstream Stalwart? A New Modernist, or just a Good-Time Novice? This summer the South Bank Centre commissioned CRAM International to do some research into their audiences, what they liked and wanted; and CRAM "grouped" concert-goers into four "distinct personality types", each with "different motivations".

CRAM's research was qualitative - "in-depth sessions" with five "focus groups" of eight concert-goers each, selected on specific (but unspecified) criteria from SBC mailing-lists - rather than quantitative (wider surveying, with questionnaires and statistics). The summary the SBC has sent me doesn't say whether CRAM formulated their "grouping" before they selected their subjects or afterwards, on the strength of what their in-depth sessions revealed. Perhaps it just sort of emerged.

On closer examination, the four personality-types seem to be not only distinct, but mutually exclusive. The Classical Purist is 50-plus and predominantly male, attends concerts two or three times a week, reveres 19th-century and earlier music, feels "threatened by change" but still searches for a "peak musical experience". Contrariwise, the risk-taking New Modernist, aged 25 or 30, dismisses "traditional classical" music as "formal, rigid, safe", is intensely involved with 20th-century music and sees the arts as "pioneering new social values".

Obviously they will never go to the same concerts, though they may scowl at each other in the street. Presumably the Classical Purist goes to hear Haitink in Mozart but not in Shostakovich, Solti in Beethoven but not Mahler. (At least that leaves him more evenings for the Wigmore Hall, which is surely his natural habitat.) So who does go?

The Mainstream Stalwart, of course, whose kind make up what the Royal Festival Hall calls its "volume" audience. He attends some 20 concerts a year, seeks "the known and familiar" (not further defined), is drawn by "strong" conductors and soloists but "wary of experimentation" - also "interested in in-house facilities like shopping, outlets, catering". Thank goodness for him, or her!

It remains a mystery, nevertheless, how the recent Lutoslawski and Ligeti mini-festivals drew such good houses. Who were all those people? They must have been Good-Time Novices - "first-timers to the RFH, and occasional concert-goers" (so how come their names were on the mailing-lists?) - who wanted merely to visit the hall, and happened upon that music by accident. ("Venue plays an important role, as programme is unfamiliar", though "big names and popular composers are very influential".)

Luckily, they seemed to enjoy



What the audience really really wants

Should classical music concerts be tailored for specific musical 'types' in future?
Oh no, the more anarchy the better! writes David Murray

It. They like "children's events" too; and a "major motivator" is "shared social experience" - "drinks at bar, eating, people-watching" (I agree about that). Where the C.P. is credited also with wanting the RFH "restored to former grandeur", and the less tradition-conscious M.S. desires "improvements in fabric of the RFH" (double-glazing, maybe), nicely corroborating the SBC's anxious plea for refurbishment, the G.T.N. is content to "like the idea of more links with NFT, RNT and MOMI", the SBC's neighbours.

Just what the SBC happens to want - but how do newcomers know about all that? (Only the N.M. has nothing relevant to say: presumably he doesn't give a damn about the venue.) Perhaps there are more plausible alternatives, for towards the end of the SBC's summary two hitherto unmentioned groups turn up.

The plain Modernists (less militant than New Modernists, perhaps), who "like a lively cross-arts approach" - but that wouldn't

prompt them to rush off to Ligeti or Lutoslawski. The Conservatives, then, who "believe in the purity of classical music alone" (probably don't want accompanying light-shows, nor interpretative dance). Unless "classical" here means 18th/19th-century Classical, in which case they are Purists who shouldn't have dreamt of coming...

Honestly, I think these categories are built round pure fantasy-figures. Yes, there are "New Modernists", but they don't come to hear the London Sinfonietta in new "classical" music; they listen instead to World Music and/or Indies, techno-pop, improvised music and other picturesque communal things.

There are many "Classical Purists" too, in the positive sense (they want Classical works played straight, not mucked about). But most of them came round long ago to Bartók and Stravinsky too, not to mention Britten and Tippett, and many of them have discovered exciting virtues in newer postwar music.

In fact they - and we - are practically all "Mainstream Stalwarts". Some of them, unsurprisingly (it was ever thus), are readier to try newer stuff than some others: because a friend has told them about it, or they've read something which made it sound tempting, or have heard enticing samples on the radio.

If CRAMming people into dodgy categories were to have any impact on what the South Bank decides to programme, one would be dismayed. Fortunately, the conclusion the SBC has drawn from these "findings" is that they should continue - surprise, surprise - exactly as before: with a wide range of concerts to satisfy many tastes, along with the Barbican and the Wigmore Hall (which accommodates song-recitals and chamber music far better).

One hopes that the CRAM inquiry didn't cost the SBC management much, but probably it did. The relevant facts for concert-

hall managements now are only these: (a) that currently famous (or well-typed) solo performers will draw crowds, like a few renowned conductors too; (b) that routine concerts of Beethoven and Tchaikovsky cannot now compete with CDs, which cost less - often for better performances - and are indefinitely repeatable.

And (c): that promising performances of big pieces in the concert-hall still exercise a unique appeal, far beyond CD reproductions. Anybody can understand why. And also (d): that nobody should pretend to know which new music will arouse critical acclaim, attract larger audiences, and in the long run expand the standard repertoire in original directions.

Honest critics should not play at being prophets. Wrong guesses are endemic and inevitable, even among very clued-up musical people. To the general public, neither wrong guesses nor right ones matter very much, except when they find themselves sitting expensively amid a dyspeptic

crowd at some wrong-guess concert.

I've run out of space, just when I meant to predict future successes for some of the new musicians I heard this year. It doesn't matter. Some of them have made an immediate mark anyway, some will disappear smoothly into limbo; others will be recognised later, perhaps for reasons that we never began to appreciate.

The battered heroes of concert-going, we like to think, are us critics, who troop off to many, many more concerts than any sensible person would do - purely in the hope of being able to advise you that some new composer, conductor or performer is worth hearing, or that some established one has begun to sound dispirited, flat or perverse.

Sometimes, naturally, we get it wrong. But would things be improved if, say, all South Bank concerts were tailored for specially predisposed audiences and specialist critics? The more anarchy the better, say I. These days, we need it more than ever.

Panto
Cinders
with a
difference

What we learn from this year's Drilli Hall panto, *Cinderella the Real True Story*, is that the oral tradition has never died. It has just been hiding in the closet.

In true Drilli Hall style this is a Cinderella with a difference. Here Cinders discovers that her dream lover is - a charming princess; spoilt mind you, but charming nonetheless. There are "she's behind you", kings, princesses and hideous witches aplenty but, as you would expect from this venue, the genre is slightly subverted.

The "most ghastly of Gorgons" turns out to be just your everyday slattern with a mild case of halitosis and some domestic hygiene problems. Even more disturbingly, Cinderella is a woman who not only enjoys cleaning but is positively fanatical about it. Some of the best moments of this piece spring from this last point as the Princess struggles against her essentially slothful and pampered nature - "I've seen cooking" she says, "and it's not for me".

Sandra James Young as Cinders' vivacious Fairy Grandmother (yes, Grandmother) shoots her spells straight from the hip. Her homespun homilies are cut from a different cloth from those of the conventional court, and her power is such that soon even the gruff, straitlaced King, well illustrated by Joanne Howarth, is forced to see the error of his ways and proclaim true love for all.

Although the first half seemed to be fuelled more by audience goodwill than by pace and timing, the cast managed to work up to a climax by the end. But despite the gay content it remained fairly tame stuff. Although the heroines were thwarted, the courtiers revolted and Cinders threatened with boiling in oil, it was all presented in so genteel a manner that all one felt like muttering was a polite "here, here" rather than a rousing cheer.

Sam Albasini

At the Drill Hall, London WC1 to January 10 (0171 637 8270).

INTERNATIONAL
ARTS
GUIDE

AMSTERDAM

AMSTERDAM

EXHIBITIONS

Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl

Malevich: Works on Paper from the Khardzhiev Collection. 79 drawings in pencil, chalk, gouache, ink and watercolours, spanning almost the whole of the Russian avant-garde artist's career; to Jan 25

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911

Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen; Dec 30

BERLIN
CONCERTS

Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Weber and Beethoven; Dec 30, 31

OPERA

Deutsche Oper
Tel: 49-30-34384-01

Hänsel und Gretel: by Humperdinck. Conducted by Olaf Henzold in a staging by Andreas Homoki; Dec 30
● La Nozze de Figaro: by Mozart. New production conducted by Christian Thielemann and staged by Götz Friedrich, with sets by Herbert Wernicke; Dec 31

CHICAGO

EXHIBITIONS

Art Institute of Chicago
Tel: 1-312-443 3600
www.artic.edu

Renoir's Portraits: Impressions of an Age. Around 65 paintings spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; to Jan 4

CLEVELAND

EXHIBITIONS

Cleveland Museum of Art
Tel: 1-216-421 7340
www.clevelandmuseumofart.org

When Silk Was Gold: Central Asian and Chinese Textiles. Featuring 64 precious textiles from the 8th to 15th centuries, when they were of immense economic and cultural

significance. Including the most important known "cloth of gold". The exhibition will travel to New York; to Jan 4

LONDON

CONCERTS

Barbican Hall
Tel: 44-171-638 8891

New Year Venues Events: John Gorgiasidis conducts the London Symphony Orchestra in a programme including dances by the Strauss family; Dec 31; Jan 1, 2

DANCE

Royal Festival Hall
Tel: 44-171-928 8800

The Royal Ballet: programmes including Peter and the Wolf, Tales of Beatrix Potter and Les Patineurs; Dec 29, 30, 31; Jan 1, 2, 3

Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk

Objects of Desire: The Modern Still Life: Exploring 20th century developments of a 400-year-old genre, this show ranges from Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

Tate Gallery
Tel: 44-171-887 8000

The Age of Rossetti, Burne-Jones and Watts: Symbolism in Britain 1880-1910. Works by British artists including the pre-Raphaelites Rossetti and Burne-Jones are presented alongside those of European

contemporaries such as Redon and Moreau. The show aims to demonstrate the powerful influence of Symbolism on British artists; to Jan 4

OPERA

Shakespeare Theatre
Tel: 44-171-379 5399

The Royal Opera: The Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Dec 31; Jan 1, 2, 3

MILAN

DANCE

Teatro alla Scala
Tel: 39-2-88791

Giselle: with sets and costumes by Marie-Louise Ekman; Dec 31; Jan 3, 4

OPERA

Teatro alla Scala
Tel: 39-2-88791

Macbeth: by Verdi. Conducted by Philippe Auguin in a staging by Graham Vick, with designs by Maria Bjornson; Dec 30; Jan 2

NEW YORK

CONCERTS

Lincoln Center
Tel: 1-212-721 6500
www.lincolncenter.org

New York Philharmonic: New Year's Eve Gala. Programme of works by Tchaikovsky, Mussorgsky, Ravel and Bizet. Valery Gergiev conducts. Soloists include mezzo-soprano Olga Borodina, bass Samuel Ramey and pianist Alexander Toradze;

Avery Fisher Hall; Dec 31

DANCE

New York City Ballet, New York State Theater
Tel: 1-212-870 5570

George Balanchine's The Nutcracker; Dec 29, 30, 31; Jan 2, 3, 4

EXHIBITIONS

Brooklyn Museum of Art
Tel: 1-718-638 5000

Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Riviera in the 1880s, to Venice in 1908; to Jan 4

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org

Egon Schiele: (1890-1918): The Leopold Collection, Vienna. Around 150 works by the Austrian Expressionist, dating from 1905 through 1918; to Jan 4

Pierpoint Morgan Library
Tel: 1-212-685 0008

Medieval Bestseller: The Book of Hours. Selection of 100 of the library's prayerbooks; to Jan 4
● Romanticism to Realism - 19th Century German Drawings: survey of 50 works from the collection, including drawings by Caspar David Friedrich and

watercolours by Adolph Menzel; to Jan 4

OPERA

Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org

Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Dec 31; Jan 3

PARIS

EXHIBITIONS

Musée d'Art Moderne de la Ville de Paris
Tel: 33-1-5367 4000

Gilbert & George: major retrospective of the British artists, comprising some 120 works and spanning their career from their meeting at St Martin's School of Art in 1968 to the "Fundamental Pictures" of last year; to Jan 4

OPERA

Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1900

La Traviata: by Verdi. Production directed by Jonathan Miller and conducted by James Conlon; Dec 30; Jan 1

Opéra National de Paris, Palais Garnier
Tel: 33-1-43436986

The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli; Dec 29, 31

ROME
OPERA

Teatro dell'Opera
Tel: 39-6-487601
www.theatrico.it

La Fiamma: by Respighi. This first production of the season is by Hugo De Ana, and is conducted by Gianluigi Gelmetti; Dec 30; Jan 2, 4

WASHINGTON

CONCERTS

Kennedy Center
Tel: 1-202-467 4800

New Year's Eve at the Kennedy Center: members of the National Symphony Orchestra conducted by Murrill Sidlin in the Concert Hall; Dec 31

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● CNBC 05.30: Squawk Box

10.00: European Money Wheel

18.00: Financial Times Business Tonight

COMMENT & ANALYSIS

Institutions on the edge

Push-button democracy

Technology could make political parties redundant, argues Oliver Morton

Government of the people, by the people, for the people: a nice idea, and certainly not one that anyone would wish to see perish. But a touch impractical.

So, at least, the political elites would have it. Best to settle for government of the people, by political parties, for the parties' constituents and any swing voters that can be swung. After all, say the elites, if not parties the mob. Representation as we know it may be a poor form of government, but the alternatives are worse.

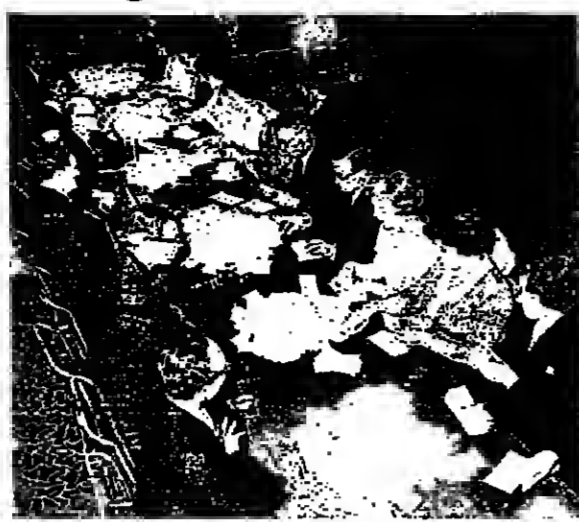
Though the first part is true, the second part of the claim can only be sustained if you insist on looking backwards. Looking forward to a world enriched by all but limitless flows of information and intelligence, there will be all sorts of alternatives to present concepts of democratic representation: alternatives that could mark the end of party politics as practised today.

When Al Gore, the US vice-president, talks of a new age of Athenian politics ushered in by the internet, he is roundly pilloried for encouraging "push-button politics". Direct democracy, any good party politician will tell you, is a terribly dangerous thing, as strife-torn Switzerland and poverty-stricken California bear witness.

Leaving aside the self-serving nature of such an argument, there are fairly good arguments against plebiscite as the norm, just as there are against denying the people any plebiscite. The important point, though, is that direct democracy, electronic or otherwise, is not the only alternative path to a mandate in a digital world. If it were ever true that parties and the mob were the only choices, it is no longer so.

A vote is a peculiar and privileged transfer of information. Organising such transfers using paper, pencils and people is cumbersome, but computer networks handle such things rather well.

Marcel Bullinga, a Dutch internet activist, has argued that it should be relatively straightforward to adapt the technologies of electronic cash, which have been



Vote count: computer networks perform this function well

designed for a different peculiar and privileged transfer of information, to the needs of voting.

"Relatively straightforward" here means surprisingly finicky and hard to get right, but not fundamentally impossible. Ingenuity and encryption would thus allow the people to be issued with electronic franchises. Like electronic money, they would be individual, anonymous, unforgeable, countable and - crucially - transferable.

Imagine such franchises being issued regularly, each issue bearing on either a specific plan, or a piece of legislation, or perhaps a broad area for concern. Every voter would get one by means of computer, television, phone or whatever. If you think this might further alienate the socially and politically excluded, there might be an argument for giving such people multiple votes on certain issues as a way of drawing them back into the debate. Nothing helps inclusion as much as a feeling that your say is being valued.

People could vote in different ways on different issues, regardless of party lines.

They could vote directly, if they wished, but they would not have to. Instead of choosing to follow all the debates on a given subject, a voter could simply choose someone she trusted and transmit her individual, anonymous and tallyable franchise to that person, or organisation. On workers rights she might think Aslef likely to take a sensible point of view, or she might prefer Asda; on a "green" issue she might want to be represented by Friends of the Earth or by Fulham council. When the electronic debate was done, these intermediaries would cast all the votes in their power.

Today, the political parties operate a cartel of representation, one which limits voters' choices and bundles together views that do not necessarily sit easily side by side. Electronic franchises would break down this cartel. Many issues could be decided on by representatives drawn from a wider pool and with a more focused mandate. Framing the terms of the debates would be hard, but it would be much more transparent than it is today, when it goes on within governing parties.

Such a system may sound like a huge transfer of power to special interest lobbies. But the lobbies already have power: what this mechanism would do is put that power within a legitimate context. At present, lobbies neither put up nor shut up. They can claim the people's will by finding statements of their aims that the public will accede to in opinion polls; they can try for the moral high ground in debate, or go low with bullying, favours and threats. But they do not have the strength of their support tallied and revealed; they do not have to make trade-offs in long debates. Competing for mandates would force that discipline on them.

This sort of political settlement goes with the grain of what's happening elsewhere in the digital realm. A short while ago, gurus claimed that the world-wide web meant death to all governments as everyone sought to buy directly from suppliers: disintermediation was the name of the game. In political terms, this cutting out of the middlemen would be the equivalent of a direct plebiscite on everything. But though disintermediation is doubtless happening, it is far from the whole story.

People like intermediation: it saves them from doing everything themselves. The web is now showing distinct signs of reintermediation to the benefit of a new class of middleman. Intermediaries who thrive on privileged access and a knowledge of the subtleties of the process do not have the easy lives they once had. The new intermediaries understand everything themselves. The web is now showing distinct signs of reintermediation to the benefit of a new class of middleman. Intermediaries who thrive on privileged access and a knowledge of the subtleties of the process do not have the easy lives they once had. The new intermediaries understand everything themselves. The web is now showing distinct signs of reintermediation to the benefit of a new class of middleman. Intermediaries who thrive on privileged access and a knowledge of the subtleties of the process do not have the easy lives they once had. The new intermediaries understand everything themselves.

At about the time the Group of Seven (G7) agreed to intensify the international surveillance of economies so as to ensure that future crises, such as the then recent Mexican one, that threatened the world financial system were handled less as a

LETTERS TO THE EDITOR

Number One Southway Bridge, London SE16 6PP
We are keen to encourage letters from readers on subjects that affect the City and the wider financial world. We will accept letters on a wide range of subjects, but we cannot accept letters on subjects that are not relevant to the City and the wider financial world. We will accept letters on a wide range of subjects, but we cannot accept letters on subjects that are not relevant to the City and the wider financial world.

The IMF needs to repair its image and boost its role in trade

From Mr David Barton.

Sir, I read Gerard Baker's article headed "Someone must save the IMF, please" (December 18) with some misgiving. It appears that the International Monetary Fund could be severely damaged both by recent blows to the inadequacy of its remaining resources and to its credibility. As to the latter, both Denis Richard and Jeffrey Sachs (Letters, December 19) give their reasons for this.

I note that in the mid-1990s Michel Camdessus, the IMF managing director, had expensive plans to play a bigger part in both developing countries and the industrial world and had been lobbying for an increase in special drawing rights (SDRs).

He also argued for an increase in quotas to strengthen the IMF capital base, partly to help the poorer countries, partly "as a last resort financing net for the world" to be financed by the issue of SDRs. At about the time the Group of Seven (G7) agreed to intensify the international surveillance of economies so as to ensure that future crises, such as the then recent Mexican one, that threatened the world financial system were handled less as a

last-minute emergency. We are entitled to know why decisions are taken at G7 summits and then apparently not implemented.

David Barton, Leamington Spa, Warwickshire, CV32 3JH, UK

From Mr John Raven, Sir, Your leader, "Trade and Asia" (December 22), gives timely warning of a possible relapse into protectionism by some of the economies now under special financial stress and strain. As a footnote to the animated debate on International Monetary Fund policy, in your news and letter columns, it may be useful to encourage the fund to take an unspectacular but important step in the direction of trade liberalisation, towards fuller and freer trading, by giving new depth and focus to its established policies in customs reform.

For many years it has employed numerous experts to help deficient customs, by no means uncommon in Asia and elsewhere, to improve standards of revenue collection. This, if seen, by the customs services concerned, as

the only IMF objective, can easily invoke protectionism by equating good control with rigid, complex regulation. A classical example is the damaging practice of routine opening, and invariably superficial inspection, of all imported containers. Today, computerisation, risk-assessment and a range of practical aids to efficiency, sponsored internationally by the World Customs Organisation, can provide every customs service with proven means of combining fully effective controls and a remarkable degree of operational simplicity and facilitation for the great majority of honest exporters, importers and carriers.

By obliging borrower governments to accept and implement the relevant disciplines and procedures, the IMF could do much to support the World Trade Organisation drive for political trade liberalisation, by linking large-scale loans to a long overdue practical effort to free individual trade consignments.

John Raven, International Express Carriers Conference, Rue Joseph II, 3-1000 Brussels, Belgium

The loss is Europe's

From Mr Mustafa Gulek.

Sir, For a country which was feared by the Europeans (and indeed by the Russians and the Arabs) for the better part of 600 years, it seems tragic that Turkey is not even considered for admission to the EU along with the likes of recently liberated ex-communist countries, some of whose human rights records leave considerably more to be desired than Turkey's.

Europe needs Turkey as a bulwark against the most volatile region in the world. The EU should have, at the very least, considered Turkey's application with perhaps certain restrictions such as the mobility of labour. At the end of the day, it is a greater loss to Europe than it will ever be to Turkey.

Mustafa Gulek, Foreign Affairs Editor, Olay Newspaper, Ankara, Turkey

Retailers will travel

From Mr Arthur Egon Graff.

Sir, The verdict on international retailing does not seem to be in yet, in spite of Richard Tomkins' judgement in his informative article "Wal-Mart goes shopping to Europe" (December 20), stating that retailing travels badly. Immediately, examples of the contrary spring to mind: Ikea everywhere; Aldi in France, Czech Republic, Spain and the US; Marks and Spencer, M&S Hennes and Mauritz, H&M; Spar, Co-op, Aldi, Burger King, W.H. Smith; and also, to some extent, companies like Manpower and Tandstad, to name but a few.

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Kenya's 'dinosaur' has not buckled under western pressure to modernise, say Michela Wrong and Michael Holman

Moi's last hurrah

They will try in their own fat.

That was what Daniel arap Moi, Kenya's president, said of the country's opposition in 1992. Five years later his warning is coming true. Yet Mr Moi's rivals are not the only ones feeling the heat. The foreign donors who forced him to introduce multipartyism and privately forecast his downfall are also wondering where they misread the signals.

Once regarded as the west's role model in Africa, Kenya is now viewed as a test case for linking aid to good government. But as the country goes to the polls today it is becoming clear that Mr Moi, one of the last of a generation of post-independence African autocrats, is about to have the last laugh.

Polls predict that he will emerge as one of the few members of the few rapidly diminishing "dinosaur" club to survive two multiparty polls and that his ruling Kanu party will extend its 34-year hold on power. The achievement is all the more remarkable given realities on the ground: rampant corruption, increasing poverty, crumbling roads, strike-hit social services. Even as Mr Moi is making pledges, the country is experiencing its worst cholera outbreak in a decade, a measure of the urban squalor that has set in.

In 1992, when Mr Moi had been pressurised into accepting multiparty politics by a donor-aid freeze, he was looking increasingly out of touch, he won at least 25 per cent of the vote in five of Kenya's eight provinces, while Kanu got 94 out of 210 parliamentary seats. Experts believe he is now heading for a repeat performance in five provinces, thereby meeting the conditions for avoiding a run-off, while Kanu could seize up to 120 seats.

Much of the credit for this can be laid at the opposition's door. Mr Moi warned that multipartyism would increase ethnic tensions in Kenya, and so it has proved. A glance at the newspapers



Certain victory: but this will be Moi's last term as president

is enough to reveal that the political debate is regarded almost entirely in terms of tribal positioning, with ideological issues noticeable by their absence. Opposition parties that once embraced several ethnic groups have subdivided on tribal lines. Repeated attempts to field a single opposition candidate against Mr Moi have collapsed under the weight of tribal hostilities and the enormous egos battling for supremacy. Last time, Mr Moi stood against seven candidates, this time he faces 14. His claim that the only Kanu enjoys support across the country is substantially correct.

Seeing this, disillusionment and bitterness have replaced the euphoria that swept the country before 1992, when real change seemed possible. Election monitors have been alarmed by the grassroots campaign of bribery and civil servant bias. And Mr Moi has exploited his access to state resources to provide the electorate with a multi-billion-dollar wage increase for the civil service.

Several opposition parties are threatening not to recognise results handing victory to Mr Moi. But his return seems assured enough for public attention to be increasingly swinging from today's vote to the struggle pending within Kanu itself. Kanu elections are long overdue. With Mr Moi now 73 and facing his last term,

these polls - more crucial to Kenya's future than the current presidential and parliamentary elections - will in effect decide who becomes next head of state.

"As soon as the elections are over we will be thrown into a battle for succession," a senior diplomat predicts. "Moi will have to release the brakes and deal with all these gathering tensions. The effect will be to throw Kanu into spasms."

Much of Mr Moi's reign has been premised on the fact that he united minority communities who felt threatened by the Kikuyu. He is now under pressure to protect these interests against a perceived comeback attempt by the country's largest tribes.

The succession battle may pith George Saitoti, the vice-president, against Simeon Nyachae, the Kisumu minister for land reclamation, and Musalia Mndavadi, the Luhya reform-minded finance minister. Mr Saitoti, brought up in Maastricht but with Kikuyu roots, is regarded with huge suspicion by the Kalenjin, Mr Moi's own minority tribe. Kanu insiders say Mr Moi, who managed to win international approval for limited reform on the basis that he would undertake more significant changes in the new year, plans to use the constitutional review to combat the centralisation of power brought about over the past 19 years.

One possibility would be to create a prime minister's post and introduce eight vice-presidents with responsibility for the provinces. "It would be an insurance policy, a way of diluting the president's powers and devolving authority to the small tribes," says a western analyst.

The result would be a more democratic and accountable Kanu, but a system that still fell far short of what donors originally envisaged. Critics might argue that all the years of outside pressure for reform have merely served to trigger the modernisation of a one-party structure that once looked in danger of extinction.

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FINANCIAL TIMES

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Korea's time for change

In South Korea, the hour of radical reform has come. And with the hour may also have come the man. Kim Dae-jung, the next president, may have no experience of government and limited knowledge of economics, but he does possess three invaluable qualities: great courage, credibility with working people and independence from the now discredited *ancien régime*. In the short breathing space Korea may enjoy, he must agree immediate actions.

To his credit, Mr Kim has recognised that Korea's travails are also an opportunity. As he has remarked, "we have to utilise the IMF agreement as momentum to turn a misfortune into a blessing by faithfully observing it 100 per cent". This is what the next president had to say, even if he had grave doubts about the wisdom of the International Monetary Fund's medicine. But he must also do what he can to ensure that reforms are not just in the interests of the Korean people, but acceptable to them.

So great has been the incompetence of the outgoing regime and so adverse the turn of the markets that hapless Korea has become a beggar - and beggars cannot be choosers. The IMF-organised rescue package is now worth some \$60bn. Only last week, with talk of default swirling around the market, Korea received a \$10bn advance on the money it needs.

Stabilise markets

This money is no present. The principal purpose of the rescue is to stabilise global financial markets, halt financial contagion and save foreign creditors. The policies being demanded in return will accelerate the slide into bankruptcy of the over-indebted Korean private sector. This will make it still easier for foreign investors to buy domestic assets at undervalued prices. Korea Inc is now going for a song.

Ordinary Koreans are entitled to feel cynical. They are no less entitled to anger when people write of their economy as if it were a basket case. How many economies have generated full

employment, a relatively equitable distribution of income and a more than 17-fold increase in real incomes per head over the past half century? Yet they cannot cling to the old model of chaebol-led, centrally orchestrated development, even if they wanted to. It is dead.

How then is the new government to replace it? First, the Korean government should close down weak financial institutions and recapitalise the stronger ones at once. It must not allow the Korean economy to suffer indefinitely from the financial weaknesses that have crippled Japan's economy in the 1990s.

Foreign ownership

Second, it should try to complement the inevitable and desirable expansion of foreign ownership of Korean industry with measures to widen domestic ownership as well. To prevent bankrupt family-owned businesses falling wholesale into foreign hands at fire-sale prices, it must encourage accelerated conversion of domestic debt into equity. Some of this should be purchased from the salvageable financial institutions, for later resale to private Koreans.

Third, it must deregulate the economy, to promote the expansion of service industry and medium and small businesses.

Fourth, it must introduce a carefully designed mix of labour-market deregulation and a welfare safety net. But it must refuse to undermine negotiated labour market arrangements that give employees the security they intensely desire.

This crisis has eliminated both the possibility and the desirability of business as usual. But it remains the obligation of any Korean government to implement reforms that both are - and are seen to be - in the interests of Koreans, while respecting the demands of now all-powerful outsiders.

Achieving this balance will require not less radicalism than demanded by the outside world, but still more. Mr Kim is a free man. He can think the hitherto unthinkable. Not only can he do so; he must.

Asia's impact on world stocks

Will the Asian crisis mark a turning point for global equities? Certainly a combination of financial meltdown in Japan, together with defaults across the region, could have that effect. Yet this remains the worst-case scenario and one which need not happen. Indeed, signs of a solution are at last beginning to emerge where it matters most, to Japan.

Two preconditions of Japanese economic and financial recovery are the use of public funds to support the banking system and a readiness to put fiscal policy on an expansionary tack. On the first score, the government has already performed the requisite U-turn, helped by the impact on public opinion of the recent collapses of Hokkaido Tokai and Yamatichi Securities.

Where fiscal policy is concerned the Japanese have yet to take the full measure of their problems. But prime minister Ryutaro Hashimoto has started to unbuckle his fiscal hairshirt. The recent budgetary package was a patting affair, but in cutting income tax it marked a symbolic change of direction. The markets can be relied on to impose further shocks on the government to push it towards a more direct confrontation with the debt deflation that is throttling the economy.

Plausible outcome

For the moment panic still reigns in the markets over South Korea. Yet even here the most plausible outcome is one in which a combination of external official financing, debt rescheduling and structural reform along the lines proposed by the International Monetary Fund will ultimately stabilise the situation. Meantime IMF support implies that the bad debt experience of bankers around the world will be softened. Their lending capacity relatively unimpaired, banks will be able to finance continuing business expansion.

That leaves equity markets in the US and Europe facing a mixed future. If Asian deflation is not to puncture global growth

the US, where demand is still buoyant, must act as a global importer of last resort. Yet this spells trouble for the US corporate sector, because the counterpart to an increasing trade deficit will be a deterioration in corporate cashflow. In effect, US industry faces accelerating wage pressure in an exceptionally tight labour market, while confronting a profits squeeze because of the increased competitiveness of companies in the devaluing Asian economies.

The earnings prospect in the US, then, has worsened. This alone may be enough to kill off the bull run. If all those who have invested in section 401K pension plans suddenly discover they have suffered a negative wealth effect, consumer demand will weaken and the economy will slow.

Fed's reluctance

Yet it should not be forgotten that the financial background remains immensely supportive for equities. The Federal Reserve is reluctant to raise interest rates while the threat of contagion from Asia remains. It knows that the disinflationary pressures from the region will help keep the lid on domestic prices. At the same time the global flight to quality is causing US and European bond yields to fall to their lowest levels in 40 years, which provides a further prop for equities.

This is the kind of background against which companies look to takeovers to boost their profitability. Credit is available to finance their ambitions. With US retail investors so far largely undeterred by the Asian setback and companies already bidding enthusiastically for each other, the scope for a very speculative last leg to the bull market is apparent.

The worry is that valuations already look stretched. So the greater the rise, the nastier the downward lurch in due course because the Fed will be obliged to put a painful end to proceedings. It is too early to predict a hard landing, followed by recession. But the risks have increased perceptibly this year.

The gospel according to Kim

John Burton and Peter Montagnon on the benefits and pitfalls that may arise from South Korea's new economic programme

When Kim Dae-jung was elected South Korea's president 10 days ago, there was little sign that he even understood the nature of the country's economic problems, much less that he would sanction a radical solution that could become a watershed for Korea.

But over Christmas, the left-wing dissident Roman Catholic was suddenly transformed into an apostle of liberalism, promising an unprecedented opening of Korea's sheltered economy as part of the latest International Monetary Fund bail-out.

There are plenty of pitfalls ahead. But if he lives up to his word, Mr Kim will end the state-directed capitalism that has been both the foundation of Korea's export-led growth and, through its doctrinaire rigidity, the source of its near collapse during the past six months. Instead Korea will finally join the mainstream global economy.

The conclusion must remain provisional, but the result could be little short of revolutionary for Korea's inward-looking society. Despite the passing of two generations since the end of the Japanese colonial era, Korea has never managed to shake off the nationalism and fierce mistrust of foreigners which is the legacy of that period.

Last week Mr Kim spelt out unequivocally that Korean business and jobs could no longer be protected from the competition that flows from foreign investment. "From now on there is no need for discrimination between indigenous and foreign capital," he told union leaders. "We are living in an era where foreign investment is more important than foreign trade."

The statement marks a wholesale shift away from the obsession with exports that has been the hallmark of the country's state-directed economy. As part of the fresh agreement with the IMF, Korea set an accelerated and detailed timetable for opening its financial markets fully to foreign investors, permitting foreign takeovers and allowing com-

Out with the old...



South Korea's real GDP growth (%)

Source: KDI, OECD, Economic Commission for Asia and the Pacific

Kim Dae-jung, new president

Kim Young-sam, outgoing president

Backer of state-directed capitalism

Kim Young-sam

Kim Dae-jung

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The finance ministry, which has clung grimly to the levers of power, will find its influence curbed. Already Mr Kim's aides plan to allocate control over monetary policy to a newly independent central bank, and responsibility for budget policy to the prime minister.

Similarly, the large conglomerates are likely to find their stranglehold on the economy reduced. Some - even well-known names - may disappear altogether. Small businesses, whose development has long been suppressed by discriminatory allocation of bank credit, may flourish in their place. So, finally, may Korea's long-neglected services sector.

There are plenty of risks, though. Everything depends both on how strictly the restructuring programme is implemented and how persuasively it is presented. The effort must continue even when the immediate crisis abates

and the public must be persuaded to take the pain. While there is little sympathy for the conglomerates, which employ only about one Korean in 45, the unions could still prove difficult to win over.

The hope is that concessions on reform of Korea's restrictive labour laws might be possible in return for improvements to its minimal welfare benefits. Mr Kim seems set to explore such an approach, financing it through the issue of bearer bonds designed to suck in money from the country's extensive black economy.

Another problem is that Mr Kim has no majority in parliament, although this could change as members of the defeated ruling party defect to the conservative ULD with which Mr Kim has formed an alliance.

Much depends also on the pain being over reasonably quickly. Korea will not be helped by

weakness in the world economy, and there is a serious risk that tight money at home might lead to overkill. After 30 years of growing at an average 8 per cent a year, Koreans will not take too kindly to the possibility of seeing growth stop for a while. Only if the country can quickly attract foreign investment with the promise of jobs will the new prescription be seen to work.

If and when that starts to happen, a new Korea could rise from the ashes. For all their nostalgia for President Park Chung-hee, who as dictator in the 1960s and 1970s set Korea's export machine in motion while ruthlessly suppressing consumption at home, there are signs that Koreans are ready for change.

Mr Park is best remembered for strong economic leadership. To the surprise of the markets, that, in his own, very different way, is what Mr Kim is now promising.

New year diet for the bloated chaebol

to keep out foreign involvement as it pursued a policy of industrial self-sufficiency. But the International Monetary Fund's \$57bn rescue has forced the country to drop restrictions on foreign takeovers. From tomorrow foreign investors will be able to acquire a 55 per cent stake in any listed company and 100 per cent by the end of 1998.

Despite its problems, Korea has many attractions for foreign investors. It is one of Asia's largest and richest consumer markets after Japan. Its proximity to China makes it a valuable manufacturing export base in north-east Asia, with good infrastructure, a well-educated and industrious workforce and improving labour productivity.

Moreover, Korean companies are likely to be sold at bargain prices. The Korean currency, the won, has fallen nearly 50 per cent against the US dollar this

year. Share prices are so low that the total market capitalisation of the Seoul bourse last week amounted to Won66,350bn (\$44bn), about the size of the Dutch banking group ING, the world's 70th-largest company.

Pumped up by the financial steroids of cheap state-directed bank loans for decades, the chaebol have become flabby and bloated. Industry is in woefully bad financial shape, with debt burdens of more than four times equity. Six big groups have already collapsed this year.

Net profits of manufacturing companies accounted for a mere 1.4 per cent of sales during the first half of 1997, according to the Korean central bank. Thirteen of the top 30 chaebol reported losses last year, while the combined earnings of this corporate elite amounted to only Won350bn. A combination of high interest rates, foreign

exchange losses on overseas debt, slowing domestic and regional demand, and predatory pricing policies threatens the future of most chaebol unless they sell subsidiaries to raise capital for debt-servicing.

Yet the family owners of the chaebol are still reluctant to dismantle their business empires. Campaigns have been launched by executives and workers of leading conglomerates to buy back shares to prevent foreign takeovers. The government says it will only approve friendly bids by foreigners.

But the credit crunch affecting most conglomerates is expected to force them to accept foreign takeovers eventually. Several troubled chaebol have begun disposing of assets. Seangyoung sold its tissue and sanitary napkin unit to Procter and Gamble, while Coca-Cola acquired soft-drink bottling operations from

Doosan, the nation's biggest brewery.

Hankook is negotiating the purchase of its oil refining and petrol station business by a leading international refiner, believed to be Royal Dutch Shell, and the government has offered to sell the bankrupt Hanbo steelworks to overseas bidders.

The car industry could be next. Ford has expressed interest in raising its 15 per cent stake in bankrupt Kia Motors, which was recently nationalised but may now be up for sale. General Motors might buy Mando Machinery, Korea's bankrupt leading car-parts maker.

Foreigners are also looking to buy department stores, pharmaceutical companies and domestic brokerage houses.

The increased foreign influence on Korea's protected economy might initially come as a shock. But a recent report by Booz-Allen & Hamilton, the US consultancy, said that Korea's future success lies in becoming "the most hospitable, and least xenophobic, location for global business in north-east Asia".

John Burton

The state's grip on France's business elite is loosening, says Andrew Jack

Crème de la crème, sans MBA



BUSINESS TRIBES

He - for it invariably is a he - had a modest background. A teacher's pet, his intelligence won him a place at the prestigious Ecole Polytechnique, and entry with just a few other top students into the grand corps.

While on secondment to the private office of a minister, he published a book attacking France's elite under a *nom de plume*, even though he was fast becoming part of the system himself. He held a succession of civil service positions, rising to head an important government department.

"Parachuted" into a top executive job in a state-owned industrial group, he was evicted when general elections brought another party to power. He found shelter running an obscure paramilitary research institute, where he wrote a second, rather more worthy book on a technical subject with generous but uncredited help from a young graduate.

With his political allies back in power, he finally became chairman of another industrial group with little connection to the first, which was by now mired in allegations of financial

mismanagement and corruption.

He has been linked to one political movement or another over the years, less for ideological reasons than by a tribal loyalty and a recognition of how best to play the system. He steered his group to privatisation, and has become a convert to the new management mantras: core business focus and shareholder value.

Yet he spends much of his time on other activities, and prefers to discuss current affairs, cite Rimbaud and drop names of well-known people with whom he has worked.

It is easy to caricature the members of France's business elite, mainly because so many of them fit so easily and accurately into the stereotype. A casual flick through the company chairman listed in the French *Who's Who* reveals the same pattern: trained at the Ecole Nationale d'Administration (ENA) or Ecole Polytechnique (and sometimes both), followed by stints in government and then in industry for the engineers, or banking or insurance for the *inspecteurs des finances*.

Such individuals are coming under increasing attack. The losses and scandals surrounding groups as diverse as Crédit Lyonnais, Elf Aquitaine and Thomson have drawn attention to the similar background of their top managers.

In a caustic remark widely reported with considerable relish to the French press, Alain Madelin, head of the rightwing *Démocratie Libérale* party, said: "Ireland has the IRA, Spain Eta, Italy the Mafia, and France ENA."

The reality is more complex. It is clear there can be favouritism, which gives those who have not amassed the appropriate educational qualifications the feeling that they are forever blocked from reaching the very top levels of companies and the civil service alike.

Yet most graduates of ENA remain in the public sector. The

Alain Madelin, head of the *Démocratie Libérale* party, has said: 'Ireland has the IRA, Spain Eta, Italy the mafia, and France ENA'

rise of a handful of top corporate roles owes much to factors beyond their early training and intellectual abilities. In the nationalised industrial groups, as sometimes overly compliant representatives of the government of the day, they have become easy scapegoats for disastrous decisions often taken by their political masters.

In a country in which intelligence, culture and contacts are highly valued, and one in which the state continues to play a very important role in business, the elite must move easily between the public and private sector.

Bernard Ramanantsoa, head of HEC, the top French business school, says it is only since the late 1960s that institutions such as his began to capture some of the prestige previously monopolised by ENA and the Ecole Polytechnique. However, he concedes that the old system still dominates at the senior level of business and government. "It produces people who are undeniably strong intellectually, and who have been exposed to important responsibilities early on," he says.

But he points out that HEC is coming into its own. Daniel Bernad, chairman of the retailer Carrefour, is a graduate. So is Didier Pineau-Valencienne, head of the engineering group Schne-

der, and Pierre Bellon, founder of the contract catering group Sodexo. Not to mention Dominique Strauss-Kahn, the economics, finance and industry minister.

Bernard Arnault, chairman of the luxury-goods group LVMH, and Claude Bébér, head of the insurance giant AXA, both graduated from the Ecole Polytechnique. But they passed directly into the private sector without any civil service experience.

Others - such as François Pinault, who controls the Pinault Printemps Redoute retail giant, and Lindsay Owen-Jones, head of the cosmetics group L'Oréal - come from backgrounds owing nothing to the traditional French system.

And Philippe Bourguignon, the former chairman of Euro Disney who now runs Club Méditerranée, prefers his managers to have an MBA from Harvard business school and work experience at McKinsey, not the French state.

France's old-fashioned state-trained elites still retain a tight grip on corporate power - even in groups that have been privatised. But the business sector is beginning to change, as the French administration loses control, institutional shareholders gain power, and growing international expansion and competition have an effect.

Brazilian claims \$1½m loss in forex scheme

By Clay Harris
and James Regan in London

A Brazilian businessman claims to have lost nearly \$500,000 in a Copenhagen-based company that said it was speculating on his behalf in foreign exchange markets.

The company, trading formerly as Ferrini Associates and now as Market Forces, is not authorised to conduct investment business by Denmark or any other European Union country.

It began offering currency trades in November 1996. But as late as March it was getting prices from BBC teletext pages rather than specialist financial services, a former employee said. "It was like Carry On Currency Trading," he said.

In recent years, investors have lost millions of dollars in high-risk currency schemes promoted by direct mail and cold calls. As countries have brought in tougher regulations, currency scheme promoters have kept one step ahead by moving to new jurisdictions where rules are more lax or non-existent.

After the UK cracked down on currency schemes in 1995-96, Copenhagen took over as the forex capital until publicity last year prompted authorities to close operations such as Nordex and Scandex Capital Management.

Denmark also implemented the EU Investment Services Directive that brings much currency trading - although not spot transactions - into the regulatory net. Finanstilsynet, the Danish financial regulator, said Market Forces was not authorised and had not applied for authorisation.

Market Forces was registered as a general partnership in Denmark in April, but its literature says it is owned by Nassau-registered ICM. UK regulators have confirmed that two of Market Forces' three partners - Anthony John Hinkley and Paul Rich, both Nassau-registered ICM. UK regulators have confirmed that two of Market Forces' three partners - Anthony John Hinkley and Paul Rich, both Nassau-registered ICM. UK regulators have confirmed that two of Market Forces' three partners - Anthony John Hinkley and Paul Rich, both Nassau-registered ICM.

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with ICM. The third, Mikael Mortensen, is a Dane.

The Brazilian businessman's initial \$100,000 investment was made in December 1996 with Ferrini Associates, operating from Copenhagen. Although no such company is registered in Denmark, records show that it had five telephone lines in Copenhagen at the beginning of 1997 and now has none.

By March, a statement said the Brazilian's \$100,000 had grown to about \$107,000, and he sent another \$380,000 to a Luxembourg bank account.

At about the same time, his trading account was shifted from Ferrini to Market Forces. In June, he sent written notice to close his account and have the funds, shown on a statement as \$410,000, remitted to him. The company told him he would be paid at the end of July, but no funds have been received. He has since instructed lawyers to pursue the matter, Market Forces has not responded to inquiries from the FT.

UK regulators have confirmed that two of Market Forces' three partners - Anthony John Hinkley and Paul Rich, both Nassau-registered ICM. UK regulators have confirmed that two of Market Forces' three partners - Anthony John Hinkley and Paul Rich, both Nassau-registered ICM. UK regulators have confirmed that two of Market Forces' three partners - Anthony John Hinkley and Paul Rich, both Nassau-registered ICM.

Coalition partners threaten Netanyahu over budget

By Judy Dempsey
in Jerusalem

Benjamin Netanyahu, the Israeli prime minister, yesterday came under fresh pressure from his nationalist and religious coalition partners to increase spending or face defeat in Thursday's parliamentary vote on next year's budget.

Any substantial opposition to the budget would weaken an already vulnerable government whose power is dependent on a diverse mix of pragmatic, nationalist, populist and religious parties.

Government officials said these parties, which hold the balance of power, were using leverage to extract concessions from Mr Netanyahu - even if it meant forcing Yasser Arafat, finance minister, to give ground on the 1998 budget.

Mr Netanyahu, unlike previous finance ministers, is politically unaffiliated. This status should give him more room to manoeuvre in his effort to reduce the budget deficit from this year's 2.8 per cent of gross domestic product to 2.4 per cent next year.

He intends to cut expenditure by \$1.5bn (\$550m), keeping a tight rein on fiscal policy which would allow the Bank of Israel, the country's central bank, to lower its discount rate, currently 13.4 per cent, next month.

But the National Religious party, which has nine seats in the 66-member government, yesterday demanded an extra \$1.25bn for education and \$1.5bn for bypass roads in the West Bank and Gaza Strip.

Gesher (led by David Levy, foreign minister), Shas (led by Shlomo Benizri) and Yisrael Ba'aliya (the Russian immigrant party led by Natan Sharansky) have also threatened to abstain or vote against the budget if spending on housing, social services and health is reduced.

Given such pressure, the prospects of Mr Netanyahu keeping his budget proposals intact are deteriorating. "If he wants to stick to his budget deficit goal and if he wants the government to survive, he needs the full support of Netanyahu," a government official said. "Otherwise he will be forced to raise taxes."

Mr Netanyahu is also under pressure from Mr Netanyahu to make concessions, even though the prime minister supports a tight fiscal and monetary policy. Mr Netanyahu needs broad coalition support for any second Israeli troop pullback from the West Bank, which is why, according to government officials, he would be prepared to "bribe" his coalition partners in the budget negotiations.

THE LEX COLUMN

Asian angst

The long shadow of Asia's financial crisis dominates the investment outlook for 1998, just as it has dominated the closing months of 1997. Early optimism that a small disinflationary injection into the world financial system would bolster asset prices has given way to fears of a more damaging deflation.

So far, the outlook is not too threatening. The International Monetary Fund may have cut its growth forecasts sharply, but it still has the world economy growing at 3.5 per cent next year and leading industrial economies at 2.3 per cent. The risks to these forecasts, however, are on the downside. Though South Korea no longer looks likely to default on its debts, it will be lucky to grow at all next year. Japan's even larger economy is also sick.

One thing is for sure: with domestic demand depressed, Asia's economies will be taking advantage of their hugely devalued currencies to export for all they are worth. This will keep a check on prices in countries importing these goods.

With a quarter of its imports sourced in Asia, the US will certainly be one of them. This should be enough to fuel a further rally in bonds, even after this year's plunge in the yield on the benchmark 30-year bond from more than 7 per cent to 5.9 per cent. Rising bond prices will, in turn, provide some support to global equity valuations.

But with equities vulnerable to earnings disappointments, bonds look a better bet. And given the risks investors face, a higher-than-normal cash weighting is justified.

Bonds
Mr Alan Greenspan faces a tickle dilemma in setting US monetary policy. If he were only considering domestic factors, unemployment at 4.6 per cent would suggest incipient wage pressures, inflation and higher interest rates. But given that higher US rates could cause another ugly twist to the Asian crisis, his options are constrained.

Moreover, he has only one policy instrument - interest rates - but two potentially conflicting aims. Fortunately, his dilemma is mitigated: the two objectives overlap because Asian disinflation will offset domestic inflationary pressures. The risk is that if US inflation appears before Asian disinflation bites, Mr Greenspan will appear tardy in performing his core duty. This, potentially, would be just as

Total return indices



destabilising as raising rates to the first place.

Much more likely, though, than bond yields returning to 7 per cent is that the Asian effect, coupled with a general flight to quality, will help drive yields down to 5.5 per cent, possibly further.

Europe faces less of an inflation threat, but offers worse value - it is difficult to justify yields 50 basis points below those in the US. This is especially so considering the risks surrounding German elections in October and potential hiccups in the run-up to the start of European economic and monetary union in January 1999. Even if this is calmly navigated, it will be hard to have complete confidence in the new European central bank until it has bedded down.

By contrast, the recently empowered Bank of England is winning its spurs: yields on benchmark gilts are around 80 basis points lower than when the new government took power. And a 100 basis point spread over German bunds looks hard to justify. With interest rates close to or at their peak and public borrowing falling, this spread should narrow.

Meanwhile, Japanese bonds, with 10-year yields down at 1.8 per cent, are hardly appealing. And there is the risk that loyal domestic buyers who have boosted prices may be lured offshore by the prospect of richer yields.

Equities
Equities start with the handicap of frothy valuations. The jitters witnessed at the end of October were quickly extinguished by the benign gloss put on the fall-out from Asia. Thus the US market, for example, is still valued on 20 times next year's S&P 500 earnings. More generally,

valuations in most leading equity markets suggest investors harbour unrealistic expectations of earnings growth.

Against this backdrop there seems little prospect of the US market continuing its winning streak - the past three years have seen the S&P 500 rise by 34 per cent, 20 per cent and 29 per cent respectively. The outlook for Europe's markets is a touch more inspiring. Although most came off the boil in the second half, the FT/S&P Europe ex-UK still rose by 36 per cent. Long term, corporate restructuring and the possibility of a large redeployment of pension-fund assets to two equities represents a strong bull case. Short term, though, prices are vulnerable to setbacks in the US, and from bond markets where yields are at historically low levels.

UK equities also look a reasonable bet. Interest rates may provide some support and valuations are not as stretched as elsewhere, though a slowing economy will harm the earnings outlook.

Asia
Could Asia be the bargain of 1998? Certainly, the slump in currency and stock markets means there is huge scope for a rebound. The multiplier effect of rising currencies and equities could produce exceptional returns. Indeed, Friday's surge in the won and Korean shares gave international investors a return of about 30 per cent in a single day.

Of course, a rapid recovery is not the only possible scenario. While Mexico bounced in 1996 following 1995's Tequila crisis, Japan is still bumping along at the bottom nearly a decade after its bubble burst. But so far, the Mexican example looks more apposite. Korea and the Asian tigers have been forced to take radical measures to reform their financial systems in a way Japan never has. As Japan finally gets round to taking the necessary medicine, it could be in for a rebound as well. Investing in Asia is undoubtedly a high-risk strategy. Governments may yet lack the will to implement painful policy changes; and, if they do implement them, there will be a rash of bankruptcies. Nevertheless, investors adopting a wait and see strategy could miss much of the upside, so fast are events moving. A small punt now followed by a bigger bet when and if stabilisation programmes bear fruit would be a sensible way to play the game.

Mexican mayor accused of links with Chiapas gunmen

By Henry Tricks in Mexico City

Mexican authorities have arrested the mayor of the town in Chiapas state where 45 Indian peasants were killed last week, accusing him of arming uniformed paramilitary gunmen who carried out the massacre.

Jacinto Arias Cruz, the mayor of Chenalhó where the attack occurred, belongs to the ruling Institutional Revolutionary party (PRI). His capture could shed fresh light on links between the party and paramilitary groups that have proliferated in Chiapas since the Zapatista Indian rebellion began four years ago.

Ernesto Zedillo, Mexico's president, who is suffering one of the worst political crises in his three years of rule, is facing calls to dismiss Julio César Ruiz Ferro, the PRI governor of Chiapas, and Emilio Chuayf, the interior minister.

They are accused by opposi-

tion politicians of ignoring, or even fostering, the increase in the number of violent anti-Zapatista groups such as the one that carried out the killings last Monday.

Both men deny responsibility and say they have no plans to step down. But the attack has once again exposed their failure to end the Zapatista rebellion. Condemnation at home and abroad has dealt a blow to Mr Zedillo, who had managed to keep the Zapatista struggle out of the headlines.

In addition to Mr Arias Cruz, 39 men were formally charged with taking part in the bloodshed, and authorities say many are affiliated to the PRI.

Most of those murdered - fellow Tzotzil Indians - were women and children. Some were attacked as they prayed in a small chapel. Others were followed to caves by the river where they sought to hide.

The uniforms and weapons, including AK-47 assault rifles,

have raised suspicions the group might have powerful backers. Apparently confident he would not be hunted down, Mr Arias Cruz, described the killing in his notebook.

Jorge Madrazo, the attorney general, angered human rights groups when he said Chenalhó was the site of numerous "inter-community" conflicts and family feuds - including fights between Roman Catholics and Protestants - since the 1930s.

"This was not a confrontation," Sub-commander Marcos, the masked Zapatista rebel leader, replied in a communiqué published in newspapers yesterday. "It was simply and straightforwardly an execution."

The masked Zapatistas have mostly avoided armed conflict since they rose up in January 1994. The Chenalhó killings were the worst bout of violence since the first days of the fighting.

Hong Kong to slaughter chicken population

Continued from Page 1

of bird flu, has also suffered. Visitors from two of Hong Kong's biggest markets, Taiwan and Japan, have expressed concern and, in some cases, postponed trips.

The government has boosted measures to contain the disease. This month it ordered wholesale cleansing and sterilisation of the markets and put a temporary ban on imports from the mainland, which sup-

plies some 80,000 chicken a day to Hong Kong.

Stephen Ip, secretary for economic services, said the slaughter would cover chicken and mixed poultry farms, wholesale markets, stalls and fresh provision shops.

The carcasses will be buried in landfills and their erstwhile owners will receive compensation from government coffers. But it is unclear if even these measures, the boldest so far, will make a difference.

Evidence suggests human transmission of the bug is inefficient, and that it is chiefly passed to humans via bird faeces and saliva.

Even so, the government has not ruled out the possibility of human transmission. Indeed a health worker who treated the first victim carries the virus.

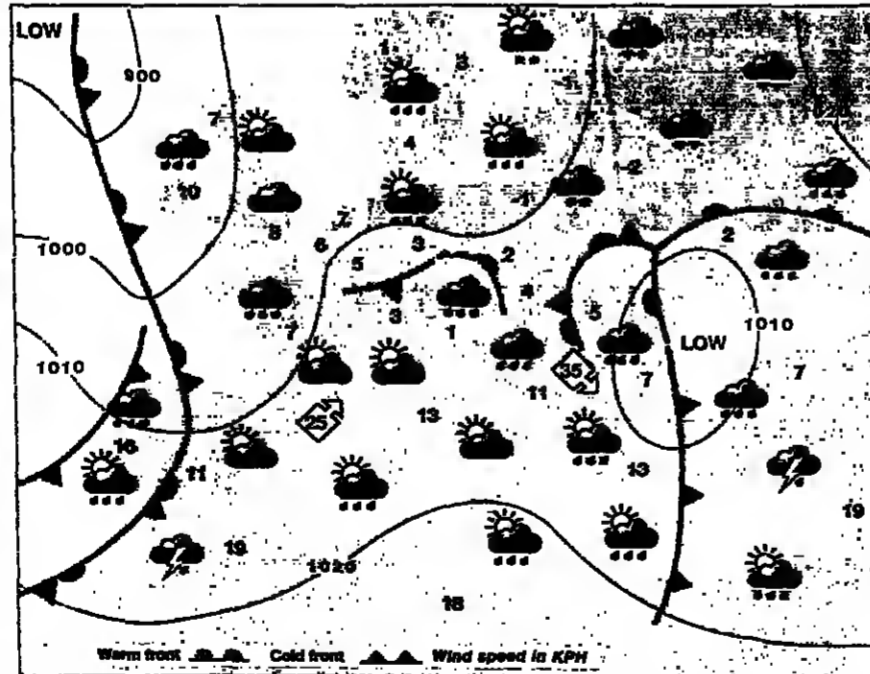
But for those with long memories, even the possibility is frightening - "Hong Kong flu" in 1968 killed an estimated 46,500 people worldwide.

Europe today

Scandinavia will have snow in the north and rain in the south but should have some sunshine later. The Low Countries, Germany, Austria and Switzerland will be cloudy with showers. Western France will see rain but most other parts of the country will be dry. All parts of the Mediterranean are at risk of showers. These will be most frequent in the west and in the east, where they will be heavy and prolonged at times. Eastern Europe will be very cold with snow likely across most of the region.

Five-day forecast

Atlantic weather fronts will sweep across Europe bringing changeable conditions to all parts. The west will have spells of rain with some snow in the north and east. The Mediterranean will remain showery, with some of the showers becoming heavy and prolonged. A few thunderstorms are possible.



TODAY'S TEMPERATURES

Location	Max	Min
Abu Dhabi	30	24
Algiers	18	12
Athens	15	10
Bahia	28	22
Bangkok	32	26
Barcelona	14	8

Situation at midday. Temperatures maximum for day. Forecasts by FA Weather Centre

Location	Weather	Temp
Cardiff	Rain	9
Casablanca	Shower	18
Chicago	Fair	2
Colombo	Rain	3
Dallas	Fair	10
Dhaka	Shower	31
Dubai	Shower	6
Dublin	Cloudy	5
Dubrovnik	Shower	4
Edinburgh	Cloudy	7
Faro	Shower	17

Forecast for 29th Dec

Location	Weather	Temp
Frankfurt	Rain	5
Geneva	Fair	3
Gibraltar	Thunder	15
Glasgow	Cloudy	7
Hamburg	Rain	6
Helsinki	Snow	2
Hong Kong	Shower	23
Islamabad	Shower	13
Jakarta	Shower	32
Jersey	Rain	8
Johnsburg	Sun	23
Karachi	Fair	10
Kuala Lumpur	Sun	28
Lima	Fair	23
Lisbon	Shower	10
London	Fair	8
Lucerne	Rain	5
Lyon	Fair	9
Madras	Shower	21

Forecast for 30th Dec

Location	Weather	Temp
Madrid	Fair	3
Manila	Cloudy	7
Manchester	Cloudy	7
Marseille	Sun	22
Mexico City	Fair	22
Miami	Fair	9
Moscow	Snow	-1
Murich	Fair	1
Nairobi	Sun	25
Naples	Fair	14
Nassau	Cloudy	26
New York	Cloudy	4
Nice	Fair	13
Nicosia	Shower	17
Oso	Shower	7
Paris	Fair	5
Perth	Fair	25
Prague	Sleet	3

Forecast for 31st Dec

Location	Weather	Temp
Rangoon	Fair	31
Riyadh	Rain	5
Rio	Shower	31
Rome	Fair	13
Sao Paulo	Fair	16
Seoul	Fair	6
Singapore	Shower	30
Stockholm	Shower	3
Sydney	Fair	4
Sydney	Shower	27
Taipei	Thunder	18
Tokyo	Shower	10
Toronto	Cloudy	3
Vancouver	Rain	8
Vladivostok	Fair	10
Vienna	Cloudy	4
Warsaw	Snow	1
Washington	Cloudy	6
Wellington	Shower	17
Winnipeg	Cloudy	9
Zurich	Fair	3

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INSIDE

Homestake bid lifts gold miners

Gold mining shares have risen sharply in the past few days following the agreed \$640m takeover bid by Homestake of the US for Plutonic, an Australian gold producer. Investors are anticipating further consolidation in the sector as companies battle to survive with the gold price near an 18-year low. Page 13

Milan airport awaits international hub
The departure boards are up inside the L1,080bn (\$600m) terminal building that is to transform Milan's Malpensa airport into an international hub. But they remain blank. The facility, which was to have opened this month, will not be ready until mid-1998. Page 13

EMERGING MARKETS
Caution reigns after Asian crisis
It is not surprising that investors should end the year cautious about emerging markets. What seemed like a containable problem in July, when Thailand devalued its currency, has caused the biggest crisis of confidence since the Mexican peso shock in 1994. Page 16

GLOBAL INVESTOR
The primacy of risk management
Financial instruments have become more complex over the past 25 years, while banks have become more dependent on trading income as profit margins on lending have been eroded. These trends have heightened the importance of risk management in financial groups. Page 14

INTERNATIONAL BONDS
Recovery seen in the new year
Although the dust has yet to settle on the banking crisis in Asia, it is possible to see the outlines of a recovery in the international bond markets. Syndicate officials identify several trends in favour of a lively issuance market in 1998, although most warn that the first few weeks are likely to be quiet. Page 16

COMMODITIES
Market seeks end to Iraq uncertainty
There can be few oil traders who face 1998 with much enthusiasm, given that the big question at the end of 1997 - whether Iraq will resume exports - remains unanswered. Page 15

CURRENCIES
Won keeps traders on their toes
This is usually the week currency traders spend sleeping off Christmas and playing with their new Porsche. But this year the volatile South Korean won could spoil the fun. Page 15

MARKETS THIS WEEK
New York
A clue as to how much the Asian crisis has hit US exporters should emerge on Friday with the report on export orders from the National Association of Purchasing Management. Page 15

London
The last few trading days of what has been a decent year for the UK stock market are expected to pass quietly. Page 15

Frankfurt
Germany will start the new year with strong export growth but worrying signs of weakness in the domestic economy. Page 15

Hong Kong
Shares are likely to continue drifting lower as concerns over the Hong Kong currency persist. Goldman Sachs foresees "minimal upside" for the market in the first half of 1998. Page 15

FT GUIDE TO THE WEEK
- full listings Page 26

GAS FLOW
Iranian president Mohammad Khatami makes his first foreign visit as head of state to Turkmenistan today to open a pipeline bringing natural gas from the former Soviet republic to Iran. The line, financed and built by Tehran, will bring Turkmen gas from the Korpdeh field to Khat-Kul in Iran's populous north.

CHESS KNOCKOUT CHAMPIONSHIP

The first world chess championship knockout reaches its climax at the International Olympic Committee HQ in Lausanne on Thursday. MORE PUNCH FOR RUSSIA'S ROUBLE
Also on Thursday, the Russian Central Bank will redenominate the rouble, cutting three zeroes off the value of each note. The aim is to help restore faith in the currency, which stands at 5,975 to the dollar. FT Guide, Page 6

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Publishers to charge web users
Move to convert readers to subscribers

By Paul Taylor
An increasing number of publishers and information providers are planning to charge for access to at least some of the information they make available on the internet. The move, led mainly by newspaper publishers, signals an important change in online business strategies as content owners seek to convert readers into paying subscribers.

Until now most information available on the internet or via world wide web pages has been free although some sites, including the Financial Times website, FT.com, ask their visitors to register before granting

access. But in the past few weeks a number of US information providers have announced plans to charge. This month Business Week, the US-based business magazine, said it would charge subscription fees for its internet content. The New York Times began a pilot scheme asking users to pay for archived stories 10 days ago and Slate, Microsoft's online political magazine, recently announced plans to start charging subscription fees for the first time early next year.

"We feel it is the right time to do this," said Roger Weed, Slate's publisher. "We need that revenue stream to have a viable business model." Slate, which had always planned to convert into a paid subscription service, boasts a readership of around 140,000. Mr Weed's comments show that economics is one of the factors driving publishers towards charging for their web content. Some publishers have a policy of charging for access to their sites but many other sites were set up on an experimental basis or as teasers for paper-based publications.

While having a website has become almost essential for publishers, most continue to lose money despite online advertising. Other publishers, particularly newspapers, fear providing unlimited free access to archive material will undermine their existing fee-based online information services. Aside from the New York Times, other US newspaper publishers which charge for archived material include the Los Angeles Times and the San Jose Mercury. However most newspapers, including the New York Times, stress that they have no plans to charge for daily content. Earlier attempts by several US publishing groups to charge for current internet content were abandoned when the number of website visitors plummeted. But the Wall Street Journal and The Economist have successfully introduced subscription charges.

The New York Times said it had decided to begin offering paid access to archives in response to consumer demand. "It is one of the most requested features from our consumer audience," Eileen Bradley, vice-president of operations for the paper's electronic media group said.

There is a silver lining for 1998 in spite of easing earnings growth

Wall Street revellers may still party on

After the sudden flurry of unease about corporate earnings, it was easy to miss the signals from General Electric and Coca-Cola. The most notable thing about these two beacons of the 1990 bull market, after all, has been remarkable consistency of their profit records. With almost boring regularity, each has turned in quarter after quarter of double-digit earnings gains that have become emblematic of corporate America's profits boom.

The year-end messages from both companies have been no different - even if Asia is falling apart. Jack Welch, chairman of General Electric, celebrated in his usual fashion: another \$4bn set aside to repurchase shares, a further 15 per cent increase in the dividend and a declaration of confidence in the future. Over at Coke, new chairman Douglas Ivester showed he was ready to follow in Roberto Goizueta's footsteps with a typically bullish projection of sales growth - and a declaration that Asia's collapse would give Coke the chance to expand its market share.

Other stalwarts of the Dow Jones Industrial Average such as JP Morgan and 3M may have disappointed Wall Street with profits warnings recently. But despite a rash of cautious announcements, the underlying forces that have characterised the US earnings boom still seem to be largely in place - even if a slowdown is in the works for 1998.

The extent of that slowdown has weighed heavily on the minds of stock market investors. A month and a half ago, companies in the Standard & Poor's 500 index were expected to notch up collective earnings gains of more than 11 per cent for the final months of 1997. That estimate now stands at 8.3 per cent, according to IBES, which monitors analysts' forecasts. And while such reductions - and profit warnings - are common in the final weeks of a quarter, they have been more pronounced this time than normal, says Chuck Hill, director of research at IBES.

A Wall Street turns its attention on the prospect for this year, the revisionism is likely to take hold more broadly. Many analysts have yet to cut their estimates for earnings growth in 1998. Collectively, they expect corporate America to record a 14 per cent growth in earnings this year.

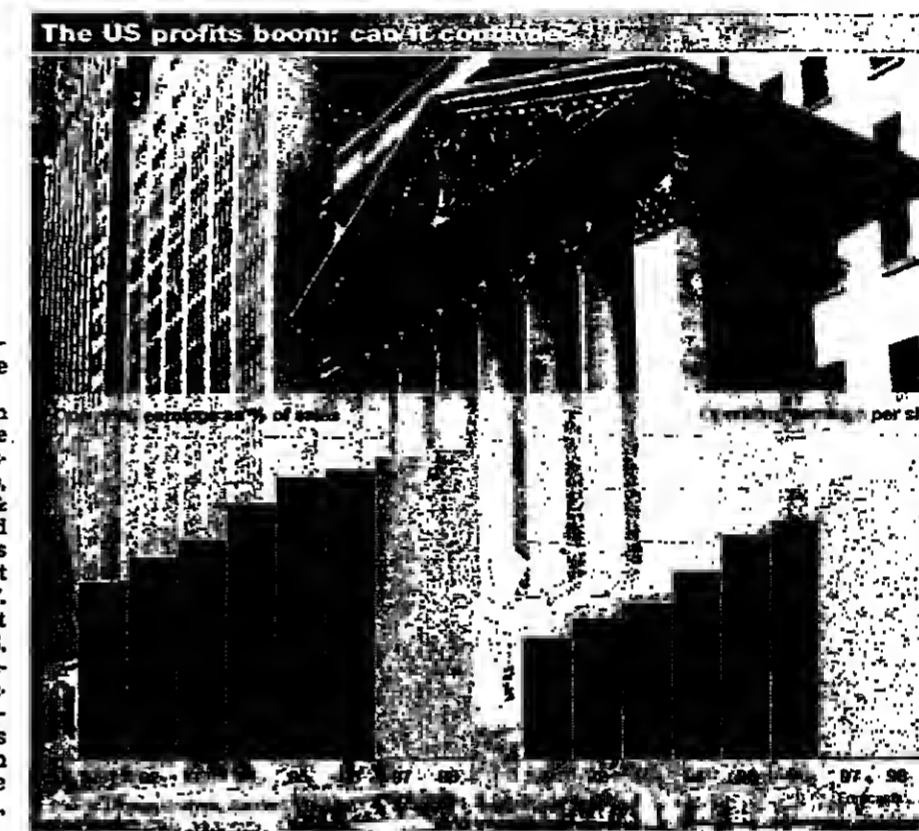
That target is unlikely to survive long. A rising dollar eating into the foreign currency earnings of US multinationals, the Asian crisis hitting export orders, stronger deflationary headwinds reducing domestic economic growth by from 0.5-1 per cent this year: all points to the most marked deceleration in corporate earnings since the recovery began in 1992. But it does not signal immediate doom.

The biggest challenges facing American companies are largely familiar ones: an inability to raise prices at home and an intensifying labour shortage. Many household names in the US are already preparing their response. Companies such as AT&T and Eastman Kodak are planning a fresh attack on their overheads.

Both General Motors and General Electric have just announced billions of dollars in restructuring charges to fund further overhauls of their global operations. Whether companies can continue to raise their profit margins against this sort of deflationary tide is another question. Even if margin growth

comes to an end, the powerful financial condition of corporate America should still leave plenty of room to lift earnings per share. With cashflow surging and the stock market remaining generally firm, big share buy-backs and mergers and acquisitions are likely to remain the order of the day.

Even as earnings growth eases, however, there is a silver lining for the stock market. Low inflation and interest rates have provided the platform for the profit boom. With the economy slowing, Wall Street is setting even lower



HK office deal falls through

By Louise Lucas in Hong Kong

An arm of Xinhua, China's state news agency and traditional political base in Hong Kong, has failed to pay HK\$1.12bn (\$150m) to complete the purchase of its new offices in the former colony, the vendor said yesterday.

Pearl Oriental Holdings, an ambitious Hong Kong property company, said yesterday it planned to sue Xin Hua Estate Limited after it missed the balance payment for the office block which already bears the name "News Building".

The deal is the latest in a rash of high profile Hong Kong/China commercial alliances to come unstuck, and analysts say it may indicate a broader lack of confidence in the territory's property sector.

Property prices in Hong Kong are already under pressure from rising interest rates. The wave of devaluations of Asian currencies encouraged speculators to launch assaults on the Hong Kong dollar, which is pegged to the US dollar.

The attacks were fended off, but at the cost of rising inter-bank interest rates - the rate at which banks borrow from each other - and falling asset prices. Mortgage rates have also risen.

Pearl Oriental itself has already suffered. Would-be buyers of its ultra-expensive "Skyhigh" homes on Victoria Peak, the territory's most expensive residential area, defaulted on their second deposits last month.

Sibneft prevents refinery seizure

By Chrystie Freeland in Moscow and Norma Cohen in London

Sibneft, Russia's fourth largest oil company, said it had paid an outstanding tax bill to the government on Christmas Day, averting the threatened seizure of its largest refining subsidiary at Omsk. The company also fended off a legal attack by Russian rivals.

The moves could put Sibneft in a stronger position in the coming contest for Rosneft, the largest Russian oil company still to be privatised, in which it is interested in buying a stake. Sibneft has expressed interest in the sale, but may

have been too weak to compete without this week's victories. Sibneft executives said that on Christmas Day the company had paid a Rbs \$13bn (\$88m) tax bill owed by the Omsk refinery. The payment will save Omsk, regarded as one of Russia's best refineries and one of Sibneft's most valuable assets, from being repossessed by the state.

Sibneft became the first Russian company to tap the international debt markets in August, issuing a \$150m Eurobond.

The seizure of the Omsk facility would have had a negative impact on the company's credit ratings, a company official said. On Christmas Day, Sibneft also won a legal victory fending off a challenge by Oneximbank, the owner of Sidanco, another Russian oil giant.

Oneximbank had contested the May privatisation of a 51 per cent stake in Sibneft, but its claims were rejected by a Moscow court. Sibneft claimed the legal action by Oneximbank had been a "spoiling tactic" aimed at weakening the company in the contest for Rosneft.

"Sibneft has successfully quashed an attempt by its competitors to use the courts for their political gains," Sibneft said in a statement.

STH lures former Mercury chief back to telecoms

By Clay Harris in London

Duncan Lewis, former chief executive of Mercury Communications of the UK, is returning to telecoms after an unhappy interlude at Granada Group and a year-long career break.

Mr Lewis, 46, is due to start next week as one of two executive vice-presidents at SITA Telecommunications Holdings (STH), an international telecommunications business owned by more than 200 airlines and Morgan Stanley Capital Partners.

His decision to join STH takes him out of the running for another top job in the sector - chief executive of Racal's telecommunications subsidiary, which the UK electronics group plans to float.

STH is the Dutch-based holding group for Equant, which provides telecoms services for its airline owners and other companies, and ITS, which sells software and applications. Third parties account for more than 90 per cent of revenues, which exceeded \$300m in the year to June 30.

STH's owners are aiming to float it in 1998 or 1999. Mr Lewis will be responsible for development, strategy and all other business areas apart from finance. One priority will be to improve the way Equant and ITS work together.

Equant, based in Atlanta, US, competes with alliances such as Concert, WorldPartners/Unisource and Global One, all of which face some uncertainty over development or ownership.

The Société Internationale de Télécommunications Aéronautiques, a co-operative created in 1939 to provide telecoms services for its airline members, owns 60 per cent of STH. Morgan Stanley Capital Partners has a 30 per cent stake, bought two years ago, while staff hold 10 per cent through a profit-sharing scheme.

In October, Mr Lewis proposed a \$450m (\$742m) management buy-in offer for Racal Telecom backed by Schroder Ventures, which was rejected. Mr Lewis left Granada last December after only eight months as head of the media division after a falling out with Charles Allen, chief executive.

Electra Fleming and Alexon Group in joint venture to acquire Dolcis Shoe Business

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COMPANIES AND FINANCE

Greater pressure on a buoyant sector

After finishing on a roll, UK water companies face a harder year in 1998. Virginia Marsh reports

Britain's water companies confounded the pundits during 1997. Despite a looming regulatory review and footling much of Labour's 55th windfall tax bill, they finished the year on a roll.

The sector has outperformed the FTSE All-Share index by some 15 per cent and the rise in share prices came on top of double digit dividend growth at many companies.

The outperformance is partly explained by the strengthening of the pound. This led investors to shift funds into water companies - seen along with other utilities as safe havens with relatively protected domestic earnings - and away from manufacturers and exporters.

Few, however, expect such good times in 1998. The year is set to be dominated by preparations - and posturing - for what promises to be a tough regulatory review in 1998.

"This year water companies as a group were popular," says one analyst. "In 1998, it will be much more a case of picking the winners and losers in light of whatever starts to emerge from the regulatory review."

Among other things, Ian Byatt, the industry regulator, is expected to impose real price cuts and to limit dividends and returns on capital in the review which spans 2000-05. His proposals are designed to enable customers to benefit from companies' productivity improvements more rapidly than over the past five years

while preserving the financial incentive for companies to cut costs in the first place.

Mr Byatt is widely regarded as having let off companies lightly in 1992, when he set price caps for 1994-99. His new political masters in the Labour party expect to see his leniency reversed.

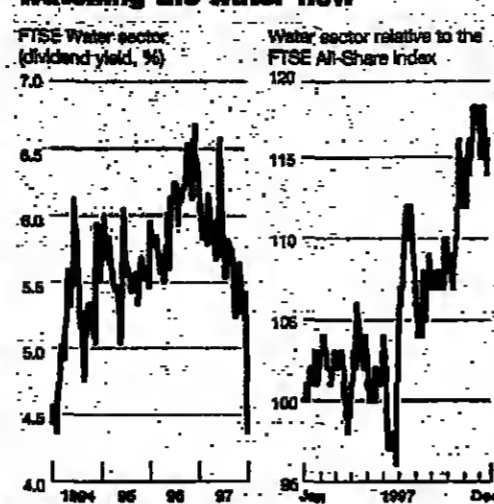
The sector has already had a foretaste of the new regime. It was hit for a large chunk of the windfall tax on utilities and then had to agree to several new measures, notably on leaks, following the new government's water summit with the industry in the summer.

Reducing water leaks has become something of a government mantra even though some companies say they have almost reduced leakage to the level where further efforts become uneconomic.

As part of the agreement in the summer, companies undertook to provide free leakage and detection repair services for customers' supply pipes. Leakage from these pipes makes up a quarter of the total lost - about 1bn litres a day.

For the first time, companies have also been given compulsory annual leakage targets. On the face of it, the targets are unlikely to have a significant impact on profits as many coincide with ones companies had already set. But the setting of targets - with penalties for failure - augurs an increasingly interventionist approach by the regulator in the run-up to the review.

Watching the water flow



Another area of differences, both with the government and within the sector, is metering - charging according to amounts consumed. This is practised by most industrialised countries but in Britain only about 10 per cent of households are metered.

The government is unwilling to sanction mandatory metering of domestic customers because of concerns that this will disadvantage the poor, even though metering has been shown to lead to lower water consumption. This is increasingly important because of water shortages in many parts of the country and the high environmental and financial costs of building new reservoirs.

Competition is also set to become more of an issue in 1998. At the start of the year,

the regulator was still dragging his feet over approving any inset applications - a legal arrangement allowing companies to supply rivals' customers - while many in the industry were bitterly opposed to competition.

Not only has Ofwat begun to approve applications, some of which were lodged more than two years ago, but Mr Byatt has also said he will require companies to divulge pricing information in cases where monopolies are challenged by potential competitors. This is because he considers a lack of transparency as his biggest obstacle in judging inset applications.

Equally, some companies this year started to take the prospect of competition more seriously. This was demonstrated by South West Water's decision in November

to buy a 50 per cent stake in Enviro-Logic, a consultancy rooted in a new, competitive approach to water supply.

The pressures of competition and of the review mean the market will increasingly rate those companies whose non-regulated activities have attractive growth prospects. This was underlined during the year by the government's decision to block the takeover of Mid Kent by two French-owned companies - a move seen as ruling out, for the time being at least, mergers or takeovers of the larger water and sewerage companies, some of which had seen such consolidation as a means of growing and cutting costs.

Diversification is perhaps where the water companies - once almost only distinguished by the different

geographical areas they serve - have varied the most in their approaches since the sector's privatisation in 1989.

Larger companies such as Thames and United Utilities, which encompasses North West Water, opted to expand overseas, with generally dismal results. United - which like Hyder and Scottish Power has also gone down the multi-utility route - this month topped off a year already overshadowed by bitter boardroom struggles by deciding to halt work on a long-bought £150m sewerage contract in Bangkok.

Other companies have chosen to expand into waste and other environmental services. South West Water, for example, this month leapfrogged rivals in the growing landfill waste disposal sector by agreeing to buy a large independent regional operator. The move is part of its plan to expand sales at its waste, construction and environmental instrumentation businesses to equal broadly those of the water and sewerage operations by 2000.

But again, expansion in waste has proved difficult for the UK water sector, partly because of competition from powerful international groups like France's Générale des Eaux. Such challenges mean that in 1998 companies will have to balance managing appropriate, but time-consuming and potentially risky diversification, against the equally important task of getting their core regulated water businesses into shape for the review.

NEWS DIGEST

Firth Rixson makes purchases

Firth Rixson, the Sheffield-based specialist engineer which trebled profits last year, has confirmed that it is buying two businesses from Harworth Holdings for £12m cash.

The purchase of Barworth Flockton and Moss & Gamble Brothers from their private owner includes the assumption of £10m of inter-company and bank debt. Firth Rixson is funding the deal from its own resources.

C&F Hall, a manufacturer of engineers' cutting tools owned by Barworth Holdings, is not included.

Barworth Flockton reported pre-tax profits of £1m in the year to September on sales of £13.5m; it had net assets of £11.2m. Moss & Gamble had sales of £1.8m and profits of £200,000; its net assets were £700,000.

Andrew Edgecliffe-Johnson

LSE IT index from January

An index for information technology companies traded on the London Stock Exchange is to be launched on January 2. The original timescale had been by the end of 1996. The date has been brought forward following the enthusiastic response to proposals for an IT sub-sector earlier this month. It will be the first time a sub-sector has been given its own index.

Paul Taylor

Innovative Technologies stake

Shares in Innovative Technologies, the healthcare group which makes high technology wound dressings, gained 15p to 109½p on Christmas Eve after Credit Suisse First Boston Equities revealed it had a beneficial interest in 2.42m shares, representing 6.55 per cent of the issued share capital.

Despite the gain, the shares are still languishing well below the 310p price of the group's £13m placing and open offer in July. The share price fell sharply in September after the group reported that pre-tax losses for the six months to June 30 widened from £1.7m to £2.6m, on disappointing sales up from £715,000 to £967,000.

The following month, Keith Gilding, founder and former chief executive, and his wife Diane Mitchell resigned from the board.

Paul Taylor

Barbican Healthcare buys

Barbican Healthcare has broadened the range of its corporate and private healthcare provision with the acquisition of two dental services companies for an aggregate £2.15m. It is paying up to £1.67m for Corporate Dental Services, which provides mobile and on-site dental services to companies, and £480,000 for M. Spencer Swaine, which provides dental services in the City.

In the year to October 31, the former made profits of £192,000 on turnover of £750,000. The latter made £702 on turnover of £526,000 in the year to July 31.

Stuart Bruck, chief executive of Barbican, said both acquisitions would contribute to group profits in the coming year, and expected to make further acquisitions in the first half of 1998.

WBB expands in Germany

Watts Blake Bearn, the clay mineral mining group, has agreed to buy a quarry and a mineral rights concession, both in the Westerwald region of Germany, for £10.2m cash from Karamchende. Half is payable immediately and the remainder at the end of next year.

Recent drilling has indicated about 10m tonnes of reserves of fine ceramic clays at the two sites.

DMGT £25m property sales

Daily Mail & General Trust, the media group, is to sell various property interests in the Fleet Street area of London and in Manchester to Hiltone Corporation for £25m, of which £5m is deferred for a year. DMGT said the transaction was expected to produce an exceptional gain of some £5.5m.

Inter-Alliance to raise £5m

Inter-Alliance, an independent financial adviser which operates nationally, is to list on AIM early next year in an offering which will value it at £13.5m.

It hopes to raise £5m at 265p a share through an offer for subscription of 1.85m shares, representing 37.2 per cent of the total equity.

The funds will allow expansion. The group currently has eight offices throughout the country.

Vymura signs Benetton deal

Vymura, the wallcoverings maker, has signed a licensing agreement with Benetton, the Italy-based multinational fashion house, to produce a range for the UK market. The deal is worth up to £10m in sales over five years. It is the first time a British company has brought a home furnishing product to the UK market under the Italian company's label.

Samsung Lloyd's syndicate

Samsung is to set up a syndicate at Lloyd's of London insurance market. The South Korean conglomerate is the second largest east Asian company to do so, following Nissan last year.

Samsung will provide £10m of capital to support business written at £4m next year. The syndicate will be managed by Murray Lawrence, one of the biggest underwriting agencies at Lloyd's.

Samsung Fire & Marine, which has assets of \$30m (£18m), is the biggest non-life insurer in South Korea and its Lloyd's operation is expected to cater mainly for the needs of clients outside its domestic market.

SSSI in Jumbo deal

Self Sealing Systems International, the AIM-listed maker of self-sealing balloons, is buying Jumbo Promotions.

Jumbo's principal activity is advertising promotions and public relations, mainly through the supply of static inflatable units and balloons. It made a pre-tax profit of £137,000 for the nine months to September 30 on turnover of £761,000. Net assets were £409,000.

Consideration is £2m cash and 1m new shares. SSSI also plans to raise £1.5m net by way of a placing and open offer of 7.25m shares at 20p each.

SSSI shares were suspended at 17½p, pending approval of the deal at an extraordinary meeting.

Critchley buys in France

Critchley Group, which makes cable identification products and components for the electrical and telecommunications industries, has acquired Groupe Rioulet-Malbert, a French specialist manufacturer, for FF77m (£7.8m).

In the year to November 1997, Rioulet-Malbert's sales were FF77m and profits were FF77m. The net assets acquired are about FF714m.

Spring Ram's £15m sale

Spring Ram is selling a 10 acre property at Birstall, Leeds, to a subsidiary of Edge Properties for £15m cash. Its book value is £5.5m and it has planning consent for 92,500 sq ft of retail warehousing. The site is at junction 27 of the M62 motorway, adjacent to an Ikea store and a retail park. Edge said the property would form "a strategic part" of its core portfolio. Spring Ram will use the net proceeds to reduce borrowings.

Disguisables called in to arrest Budgie's dive

Emiko Terazono takes a look at the attempts to wake up Sleepy Kids' performance

A group of tough street kids known as *The Disguisables* are cartoon characters out to save the human race from the Artificial, a "new and heartless species of intelligent machines".

For investors, the crucial question is not whether *The Disguisables*, to be marketed next year, will be able to save humanity, but whether it will salvage the floundering shares of the cartoon's creators, Sleepy Kids.

Better known for its animated *Budgie the Little Helicopter*, created by the Duchess of York, Sleepy Kids has struggled to break out of the one-product company mould.

Budgie and its royal link has proven to be a double-edged sword for the company. The Duchess's name helped the group export *Budgie* to more than 70 countries, but negative media coverage in the UK hit merchandising sales and Sleepy Kids' share price.

Earlier this year, the company became embroiled in a £25m (£13m) legal dispute with Budgie's US marketing agents, and ITV failed to commission a fourth series of the cartoon. Sleepy Kids was forced to write down the intellectual property value of Budgie from £2.4m to £1.8m due to developments in the US.

Ever since the group bought the worldwide rights of Budgie in 1982, the company's fortune has roller-coasted with the Duchess's

reputation. The shares, which hit a high of 118p in 1994, have slumped to 13p.

Although the company owns other animation properties, about half of last year's profits came from Budgie, and the group reported pre-tax losses of £166,000 at its interim stage as Fox Children's Network in the US dropped the Budgie series at the end of last year.

The company, founded in 1985, created animations *Dr Zibag's Transylvania Pet Shop* and *Potsworth*, which was co-produced with Hanna-Barbera. It floated on the USM in 1989 at 20p, moving to a listing last year.

Martin Powell and his wife Vivien Schragger Powell, the company's founders, are hoping that *The Disguisables*, along with another cartoon, *Ticking Tunnies*, will help diversify the group's animation portfolio. "We're addressing the criticism, and we've had great response for the two products," says Ms Schragger Powell.

David Advant, analyst at Durlacher, says the investment attractions of an animation company are similar to those of a biotechnology company. Children's animation characters can have long lives, he says, and a blockbuster hit will also bring in profits from merchandising products including stationery, toys, and videos. "But the risk that it may never happen."

That is why, he says, com-

panies need a portfolio of characters. Sleepy Kids seems to be addressing this, says Mr Advant. "It is trying to avoid hills by creating a more widely based group."

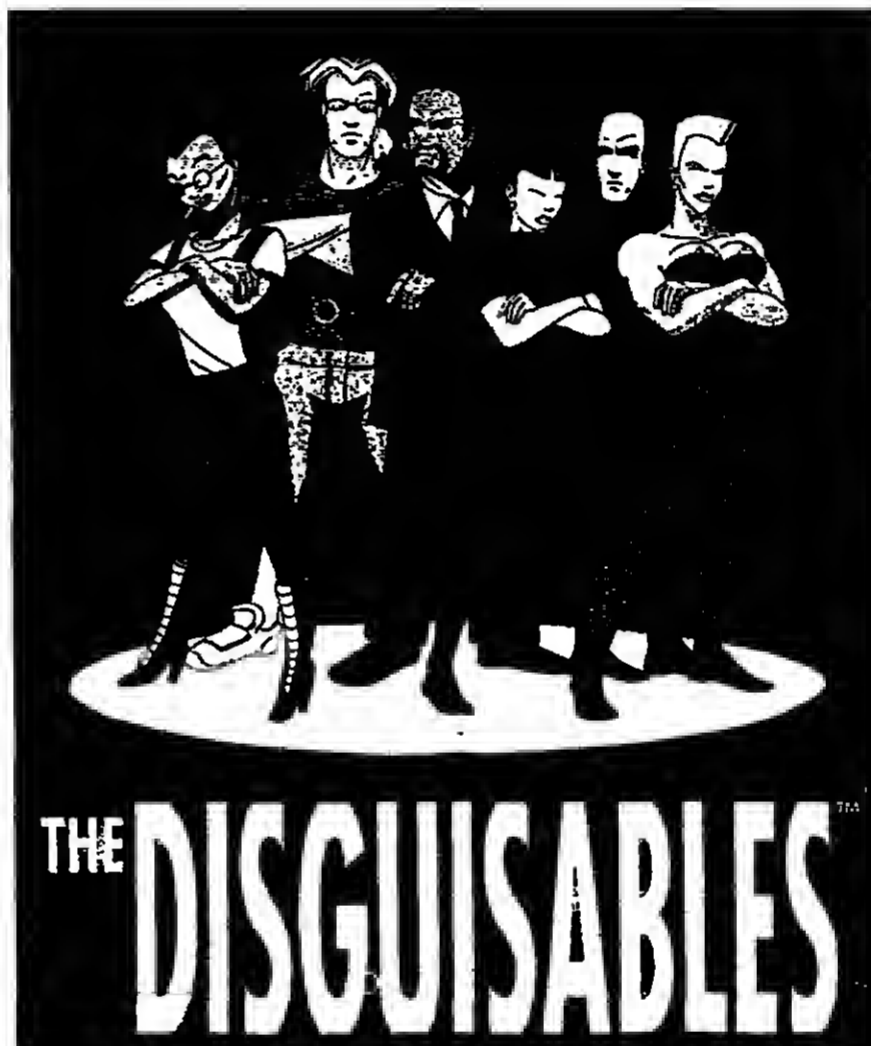
Mr Powell says Budgie remains the backbone of the group, and he has no plans to sell it. "Children still love Budgie. They don't care who made it," he says. He points out that in an age of multi-channels, animation libraries are fetching premiums. Sleepy Kids is trying to build up its portfolio and selling Budgie as a sole product would not be an option, he says.

His comments reflect recent deals indicating the trend towards higher valuations for animation catalogues.

Last year Casplan, the owner of Leeds United Football Club - soon to be renamed Leeds Sporting - sold Filmfair, a library of 100 hours which included the *Wombles* and *Paddington Bear*, for £10m. The company bought the library for £1.75m in 1991. In another deal, Treacher, the leisure group, paid £13.5m for the Eddi Elyton library.

In order to place a valuation on its 45-hour portfolio, Sleepy Kids is currently in talks with several specialist evaluators, which include accountancy and law firms.

Mr Powell says he is seeking investors to take a minority stake in the company. The group needs to finance the production of *The Disguisables*, which is



estimated to cost £2m, and find a further £1.3m for *Ticking Tunnies*.

He admits that the company has its "lumpy period" as it goes through a development phase for its products.

For Sleepy Kids to regain confidence in the City, it will need a larger portfolio to produce a steeper earnings flow that will allow analysts to produce reliable profit projections.

But until that earnings stream is realised, along with reliable profit projections and a price/earnings multiple, investing in the company may seem hardly more than a punt.

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Allied London venture

Allied London Properties has announced a joint venture to redevelop its industrial estate near Dartford, Kent, with Clerical Medical Investment Group. It is also buying two London properties, in Bloomsbury and Covent Garden, for £16.8m.

CMIG has acquired a half interest in Allied's Dartford Trade Park for a cash sum valuing the 45-acre site at £32m.

Allied has bought the 350,000 sq ft Brunswick Estate in Bloomsbury from Rugby Estates for £13m. Current rental value is about £1.2m a year and, following refurbishment, Allied expects it to be £2.2m a year. In Covent Garden, it has bought 25 Shelton Street, a 17,000 sq ft office building for about £3.3m in a swap transaction with Dawnay Day Properties which has acquired Allied's Brunswick Trading Estate. Allied intends to seek change of use to retail, restaurant and residential.

Ashtenne buys Scottish portfolio

Ashtenne Holdings, the property investment group, is buying three companies that make up the majority of the Scottish property assets of Whithorn, a private property group.

Ashtenne will pay \$2m for the portfolio which comprises 16 industrial estates totalling 600,000 sq ft in central Scotland.

Some £7m of the consideration will be via the issue of 5.14m shares at 136p each.

Micro Focus buy in US

Micro Focus, the software house with quotes in London and on Nasdaq, has agreed to buy privately held XDB Systems of the US, a provider of development, maintenance and connectivity tools for the DB2 database standard.

Holders of XDB shares will receive Micro Focus shares based on a formula which values XDB at \$13.4m (£8.1m).

A further payment of £1m cash is deferred after Whithorn has satisfied a warranty.

Ashtenne has also agreed to a put and call option with Whithorn whereby it will acquire Charnwell, which owns the balance of Whithorn's Scottish industrial property portfolio.

This comprises six industrial estates valued at £3.7m.

There will be a further payment of \$3.1m for certain assets of XDB.

The value of shares to be issued will depend on the mid-market price of Micro Focus shares in the 30 trading days prior to the closing date, expected to be on January 15.

In the year to January 31, XDB lost \$3.2m on sales of \$10.1m and had assets of \$13.1m.

Greycoat deals in London

Greycoat is to acquire the long leasehold interest in 20 Cannon Street, London, from a subsidiary of Reit Asset Management for £17.5m cash. The property is let to Herbert Smith to 2008 at a gross rent of £1.95m a year, providing an initial yield of 9.72 per cent.

The company has also exchanged conditional contracts with Scottish Life on a composite deal involving Greycoat's 1 Great St Helens, London, development and Scottish Life's investment at 38 Poultry, London.

On completion and letting of the 51,000 sq ft development at Great St Helens, Scottish Life will acquire a 50 per cent stake in the freehold building, with the option to acquire the balance at its then market value. At current rates, the value of the development is £30m-£40m.

Greycoat will acquire the freehold of Scottish Life's 47,500 sq ft office and retail investment at 36 Poultry.

15000000

Cinven near to deal on IPC buy-out

By Robert Wright

Cinven, the venture capital group, is close to completing a management buy-out of IPC Magazines from Reed Elsevier, the Anglo-Dutch publisher, in a deal expected to be completed by January 5.

No price has been confirmed, but IPC had been expected to sell for between \$250m and \$350m (\$1.41bn-£1.53bn), about 11 times the group's \$20m cashflow.

Cinven, one of the UK's largest venture capital companies, appears to have secured exclusive rights to negotiate a deal by promising a quick purchase.

Final agreement could be reached by January 5, just over two weeks after the December 19 deadline for submission of bids. The transaction would be one of the UK's largest management buy-outs.

A quick sale would appeal to Reed Elsevier because it is attempting to complete its \$20bn merger with the publisher Wolters Kluwer of the Netherlands.

The European Union is conducting an investigation into the effect of the merger on the publishing industries of a number of EU member states. The merger is scheduled to be put to shareholders in April.

Cinven is able to offer a quicker sale because it faces none of the regulatory hurdles that affect trade buyers. Media companies that had been linked with IPC included Bertelsmann and H. B. Warner of Germany, Hachette of France, Hearst and Time Warner of the US, and the UK's Mirror Group, News Corporation and Emap.

Reed Elsevier is the joint operating company of Reed International of the UK, and Elsevier of the Netherlands.

Cinven's move will have caught other bidders unawares because much of the work on the deal was done over the Christmas holiday.

Cinven was advised by Salomon Smith Barney. Reed Elsevier was advised by SBC Warburg Dillon Read.

IPC publishes 74 consumer titles in the UK, including Loaded, TV Times, Woman's Own and New Musical Express. Interest in the sale has been intense because it is rare for large portfolios of magazines to come on the market.

Reed Elsevier put all IPC's titles except New Scientist up for sale in October because they no longer fitted the group's strategy following the Wolters Kluwer merger, when it will concentrate on specialist titles.

The group is also less important to Reed because of the abolition of UK advance corporation tax. It had previously used IPC's UK cashflow to offset the ACT liability.

According to Reed, IPC made profits of \$68m before interest and tax on sales of £314m in 1996. If the sale goes ahead after due diligence and other checks, Cinven will develop IPC as a stand-alone consumer magazine business. The eventual aim is likely to be a separate stock market flotation.

Reed Elsevier has given permission to IPC's existing management to negotiate with Cinven over terms for the buy-out.

Crown Casino probe to be widened

By Gwen Robinson in Sydney

Australian securities authorities are set to widen their investigation of the financial problems at Crown Casino, one of the country's largest listed casino operators, and of whether the company breached stock exchange rules on continuous disclosure.

The probe was launched on December 19 after Crown disclosed a \$460m (US\$266m) operating loss in the five months to November and a negative cashflow of \$155m. The company said it would not reach its forecast \$1.5bn revenues in the current business year and announced a half-out plan and share issue.

Crown's announcement came in spite of comments to shareholders as recently as October 6 by Lloyd Williams, chairman, that the company was "on track" to achieve the 1998 revenue goal of \$1.5bn. A month later, Mr Williams dismissed suggestions Crown was losing money as "ridiculous".

The Australian Stock Exchange and the Australian Securities Commission investigation has "so far revealed that Crown:

- Failed to disclose by a September 30 reporting deadline that it had exceeded its gearing level limits as set under the terms of its casino licence
- Received a warning letter on November 10 from the Victorian casino authority about the breach
- Misled investors about its financial difficulties, insisting it was making profits

Crown's financial problems have been blamed on its campaign to lure "high-roller" gamblers from Asia, which has entailed cutbacks such as private jets, first class domestic air travel, luxury accommodation, and the company's own exclusive golf course.

The company expects about \$225m a month to attract international gamblers and is able to do this because of lucrative tax breaks granted by the Victorian government.

However, the high-rollers have cost Crown dearly, winning at least \$55m from its tables in October and November.

Crown's \$220m half-out plan, including the \$146m rights issue, is to be underwritten by ANZ Securities, the broking arm of ANZ Bank. ANZ Securities and Bank of America have jointly underwritten a \$650m debt facility for Crown Casino. Its largest shareholder, construction group Hudson Conway, will provide it with a \$50m short-term loan facility.

Mr Williams admitted the rights issue was "market-sensitive information", but defended the abrupt announcement of the loss and the company's decision to undertake the issue. Mr Williams said Crown had been considering how to remedy the breach of the casino licensing agreement by applying sufficient cash reserves to reduce the debt.

Crown's share price dropped 25 per cent to 53 cents after the news of the losses and rights issue. The shares were trading at almost \$55 a year ago.

Malpensa prepares for take-off

KLM's deal with Alitalia will turn Milan's airport into an international hub

The boards announcing the deal to transform Milan's Malpensa airport into an international hub. But they remain blank. The facility, which was to have opened this month, will not be ready until mid-1998.

The chief executives of KLM and Alitalia met amid the snow-coated building works recently to shake hands on an agreement outlining a comprehensive partnership, of the kind the Dutch carrier has built with Northwest Airlines of the US.

Co-ordinating their routes into a single network of passenger and cargo services is so complex that KLM is untroubled by the construction delay: the new schedules will be in place only by next November.

KLM's Leo van Wijk last week flew in with his team on a Boeing 737 named the Marco Polo, saying he hoped the alliance would have the same sense of vision as the 15th century Venetian traveller.

Domenico Cempella, the reforming head of Rome's state-controlled carrier, proclaimed the deal, and the Malpensa project which will make it possible, a "positive sign of the changes affecting Italy".

The former check-in clerk made clear he was flattered that the renaissance in Alitalia's finances and operating standards had drawn partnership overtures from three leading Europe-based carriers. Just as important, suggestions that national politicians would impose a choice on grounds of diplomatic expediency were proved wrong.

"We were able to select our own partner, solely with the aim of improving our competitive position," he said. Air France, which lost out along with Swissair, had been favoured by some in Rome.

Mr van Wijk estimated the extra proceeds from putting together the two networks at "some hundreds of millions of dollars" a year. This was before the two even started to explore ways of bringing down operating costs. And on that point, he indicated that there were certainly costs - staff included - to be cut.

Integrating aircraft fleets, engineering and maintenance, and data systems should also deliver future benefits, but are not part of the memorandum of understanding that is intended to lead to a hard-and-fast accord by February.

The rewards for now would flow into the airlines' accounts merely by connecting the right flights to the right places at the right times.

"It is surprising what you can do with proper network design," said Donald Kaiff, KLM vice-president and chief negotiator in the deal.

Our market position between, say, Stuttgart and Aberdeen is what counts. It is a matter of totting up," Alitalia's network of largely short-haul routes would contribute "very substantially". This was more important to profitability than overall market share, where KLM says it has some 7 per cent in Europe.

Together with Alitalia that share would be "at least 10 per cent and reaching for 15 per cent", said Mr van Wijk.

Partners in the sky

April-September 1997

	Alitalia	KLM
Revenues (\$m)	2,600	3,597
Operating Income (\$m)	300	388
Passengers carried 1000s	23,800	7,000

Destinations served

	Alitalia	KLM
Europe	43	65
Extra-Europe	43	74
Total	86	139

City Ranks

	Alitalia	KLM
Short-haul	120	68
Long-haul	144	120
Staff	17,300	26,300

Fleet

	Alitalia	KLM
Short-haul	120	68
Long-haul	144	120
Staff	17,300	26,300

describing it as the minimum range needed to play a leading role.

In a market expanding at about 8 per cent a year, the new allies believe they can achieve growth above 10 per cent.

Analysts can find little fault in the fit between the two companies. Their hubs are far enough apart not to feed off each other, and each carrier will have gaps plugged in long-haul destinations.

Some observe that Alitalia's fleet is elderly by comparison, and its image is not all that it could be.

The airline known of old to passengers as "Always Late In Take-off, Always Late In Arrival" was, however, already committed to a system for Malpensa involving three "waves" daily of flight arrivals and departures.

These operations will now be integrated with KLM's schedules in what has been

the most complicated technical element of the talks which brought the accord.

Mr Kaiff argues: "You need standards of punctuality that are considerable if you are to bring down 60 planes in an hour and have 60 take off. Any flight that leaves can be fed from 59 other planes."

The partners promise more direct connections within Europe and higher frequencies, as well as an increase in intercontinental services.

Alitalia is to retain its existing loose ties to Continental Airlines of the US until 2002 but join hands

directly with Northwest once Italy and the US resolve an "open skies" pact.

That bilateral accord would have to be phased so that Alitalia, which has been able to set high fares in its time as a virtual monopoly, does not suffer a revenue imposition.

For KLM, "the priority in 1998 will be finding an Asian partner," said Mr van Wijk. Japan Air System is among two dozen carriers worldwide with which it has co-operation agreements of some sort, but its network is limited and the Dutch are understood to be looking for at least one regional heavy-weight. Speculation centres on Hong Kong's Cathay Pacific.

To handle flights from Asia and elsewhere, the renewed Malpensa will have an eventual capacity of 28m people a year and 1m tonnes of cargo.

This should ease the transit burden on KLM's Amsterdam hub, although Mr van Wijk insisted the deal was not intended to solve the noise restrictions imposed on Schiphol. The Dutch carrier had long sought a European partner, and talks began in April before that problem arose.

While the deal is a new departure for KLM, for Mr Cempella it means that Alitalia has arrived.

Gordon Cramb

INTERNATIONAL NEWS DIGEST

Sanwa to increase stake in Thai bank

Japan's Sanwa Bank is to lift its stake in Thailand's Siam Commercial Bank, the nation's fourth largest, from 0.6 per cent to about 13 per cent. The Japanese bank said it would purchase new shares worth \$100m to be issued next year, with half to be paid shortly and the rest in April. Sanwa said that despite its economic problems, Thailand remained an attractive long-term market. Sanwa Bank, one of Japan's big commercial banks, has had close ties with Siam Commercial since an initial investment in 1974.

Reuters, Tokyo

INDIA

Delay to plan for equity futures

India's financial regulator, Sebi, has postponed publication of its blueprint for India's first equity futures market - to be based at the National Stock Exchange - after a last-minute wrangle over details in the text.

The outline of the plan - to introduce an equity futures contract based on the NSE 50 index of stocks in spring next year - is already known. But regulators and stock exchange officials are still debating the wording. Differences are believed to centre on references to a carry-forward system, India already has a system of stock lending, known as *badla*, which allows speculators to roll over trades. When the committee of experts was first set up to study the introduction of derivatives, it was strongly opposed by the Bombay Stock Exchange, India's second largest. The BSE now accepts the move in principle but is anxious to protect the existing *badla* system.

Sebi officials said the plan would be officially unveiled "after another two or three meetings", probably next week.

Krishna Guha, Bombay

PHILIPPINE AIRLINES

Carrier posts 3bn pesos loss

Philippine Airlines, the national carrier, posted a net loss of 3bn pesos (\$75.7m) from April to October in the year ending March 1998. The company gave no comparative figure for last year but it said its net loss for the previous fiscal year was 2.5bn pesos. High operating expenses have slashed the airline's earnings.

PAL said a possible pilots' strike would further worsen its financial problems. Last Wednesday, the Airline Pilots Association of the Philippines voted to strike. The union said PAL had illegally dismissed a pilot. PAL said the Department of Labour and Employment had prohibited any strike or lockouts at the airline. Union members who defied the labour department's order would be sacked, PAL added.

Reuters, Manila

FOOD

China and Taiwan groups in tie-up

Ting Hsin, parent of China's biggest maker of instant noodles, is in talks with Wei-Chuan Foods, Taiwan's second biggest food company, to jointly sell products in China and Taiwan. Ting Hsin, which controls about a quarter of China's instant noodle market via Hong Kong-listed Tingyi, may buy shares in Wei-Chuan to cement the two companies' ties, said Chen Chai-chun, Tingyi vice-president. Wei-Chuan confirmed the two sides had held talks on forging a business alliance but declined to provide details.

Dow Jones, Taipei



Invitation to shareholders to attend the

Extraordinary General Meeting

to be held on Wednesday, 4 February 1998 at 3 p.m. in the "St. Jakobshalle Basel", Brühlengasse, Basel

Agenda

Merger of Swiss Bank Corporation with Union Bank of Switzerland

Proposals of the Board of Directors:

- Approval of the merger with Union Bank of Switzerland as foreseen in the merger agreement dated 5/6 December 1997, and of the dissolution of the company following the merger, under Article 748 of the Swiss Code of Obligations, with UBS AG.
- Amendment of Article 38 of the Articles of Association as follows: "The books shall be closed at the 30th September for the 1997 financial year and the balance sheet shall be drawn up in accordance with the provisions of the Swiss Code of Obligations and the Federal Law on Banks and Savings Banks. The Group Financial Statements will be drawn up as of 31st December."

These two resolutions are only valid providing that the General Meetings of Shareholders of Union Bank of Switzerland and UBS AG also approve the merger. The merger is to be completed according to the provisions of the merger agreement.

Registered shareholders of record as of 31 December 1997 will receive a personal invitation.

During the period from 31 December 1997 to 4 February 1998, no transfers of registered shares can be recorded in the Share Register which entitles the holder to exercise voting rights at the Extraordinary General Meeting.

We will be pleased to assist shareholders who do not intend to attend the Extraordinary General Meeting in person with regard to the representation of their shares. If no instructions are issued with regard to the casting of votes, they will be cast in favour of the proposals of the Board of Directors. SFO - Cooper & Lybrand AG, P.O. Box 4192, 4002 Basel, has been designated as independent proxy for the representation of votes according to Article 689c of the Swiss Code of Obligations; if no instructions are issued to this independent proxy, the votes will be cast in favour of the proposals of the Board of Directors.

An explanatory brochure containing the merger agreement, the Articles of Association of UBS AG and the parent bank balance sheets as of 30 September 1997 will be available for inspection from 5 January 1998 at the bank's head office in Basel. Each shareholder is entitled to request a copy of this brochure to be sent to him or her personally.

Custody account representatives according to Article 689d of the Swiss Code of Obligations are requested to notify the bank of the quantity, type, nominal value and category of shares they represent as soon as possible, though by not later than midday on 3 February 1998. According to the Federal Law on Banks and Savings Banks dated 6 November 1934, custody account representatives include all institutions and asset managers governed by the above law.

Basel/Switzerland, 17 December 1997

For the Board of Directors
Georges Blum
Chairman

For the Board of Directors
Georges Blum
Chairman

Homestake bid gives gold mining sector a lift

By Kenneth Gooding, Mining Correspondent

Gold mining shares have risen sharply in the past few days following the agreed US\$440m takeover bid by Homestake of the US for Plutonic, an Australian gold producer.

Investors are anticipating further consolidation in the sector as companies battle to survive when the gold price is near an 18-year low.

The Homestake-Plutonic deal, announced a week ago, was the catalyst for a 7.5 per cent rise in Australia's gold mining sector.

Jack Thompson, Homestake president, pointed out that the steeper fall in Australian gold share prices, compared with those of North American producers, and a weak Australian dollar against the US currency, had allowed his group to offer an 86 per cent premium on the previous Plutonic market price.

"If Homestake is prepared to pay an 86 per cent premium, then it definitely opens up the whole market," said Keith Goode, analyst at

Bell Commodities, a Sydney stockbroker.

Among the companies showing big rises since the Homestake bid are Normandy, Australia's biggest gold group, and Litho Gold.

Gold shares in Canada also benefited from the Homestake move, and the Toronto exchange's gold sector rose 2 per cent as investors considered the possibility of more takeover activity.

"I definitely expect more mergers in the next few months," said Mike Curran, analyst at Midland Walwyn the Toronto stockbroker.

David Christensen, analyst at the Merrill Lynch financial services group, also predicted that there would be more mergers because of low gold prices. He pointed out that North American gold producers took about \$1.3bn in write-downs in the third quarter after reviewing their assets.

"Corporate rationalisations and consolidation could become a major theme during 1998 as the industry looks for ways to improve profitability," he said. Even strong companies

feel vulnerable. Barrick Gold, second largest North American producer, adopted a shareholder rights, or "poison pill", plan this month as a defence against any unwelcome bid. The company said this was not a response to any approach, however.

The long period of falling gold prices certainly gave Homestake the chance to bid for Plutonic. Homestake had been seeking to buy Malaysian Mining Corporation's 86 per cent stake in Plutonic since March, but MMC was not interested.

Homestake then made overtures to MMC in August about a partnership unrelated to Plutonic but was also rejected. Then early in November, MMC approached Homestake, said it had had a change of heart about Plutonic, and serious negotiations began only in November.

Plutonic's share price had fallen from A\$7.50 in mid-1996 to A\$1.95 before the bid. It reported a net loss of A\$63m for the 1997 first half following a write-down of the carrying value of its five mines in Western Australia.

DLJ to expand in Europe

By Jonathan Ford

Donaldson Lufkin & Jenrette, the US investment bank, is expanding its presence in eastern Europe. The move continues DLJ's rapid build-up in Europe following its acquisition of Phoenix Securities in the UK last March.

DLJ said it had hired Charles Harman, formerly managing director of MCB, the specialist eastern European investment bank, to head its eastern European operations and planned to open an office in Moscow in the first quarter of next year.

The bank intends to focus on debt and equity capital markets, mergers and acquisitions, and private equity.

DLJ's move comes at an uncertain time for the Russian markets. After rising by 195 per cent in the first nine months of the year, Russian equities have fallen by more than 30 per cent since the global shake-out at the end of October.

Investors in Russian sovereign and corporate bonds have seen spreads widen dramatically.

Mr Harman said that DLJ had taken a sanguine view of recent events in Russia because it believed the mar-

kets were likely to recover in 1998.

"The key issue for investors in Russia in the last quarter was whether the government would stand by its commitment to stabilise the rouble," he said.

"Despite the problems from Asia, the rouble has held its value and that has to give investors confidence."

Last year, DLJ was the top-ranked lead underwriter of US high yield bond issues, managing \$5.9bn of public offerings. It was also the fourth highest underwriter of US equity offerings, handling deals worth \$3.6bn.

MARKETS: This Week

EMERGING MARKETS By Jonathan Ford

Caution reigns after crisis

After the recent turmoil, it is hardly surprising investors should eod the year more cautious about the outlook for emerging markets, than they were 12 months ago.

What seemed like a controllable regional problem in July, when Thailand devalued its currency, has caused the biggest crisis of confidence in the sector since the Mexican peso shock at the end of 1994.

Sharp and unexpected reductions in liquidity around the world made investors wary of countries that rely heavily on foreign capital inflows. This, by definition, includes most, if not all, emerging economies.

How quickly and how evenly the sector will recover its poise is consequently the theme of most analysts in their forecasts for next year.

Most stress the extent to which Asia's crisis has

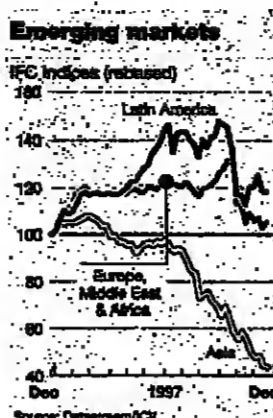
shown the divergent, rather than convergent, nature of emerging economies.

UBS, for instance, distinguishes between sturdy economies suffering from "general asset class angst" and those - mostly Asian - suffering from longer-term and more deep-seated problems. Consequently, rating the economic runs for next year is seen as more important than stock-picking.

"The lesson of 1997 is that emerging markets are driven by economics, pure and simple," says Matthew Merritt, global emerging markets analyst at ING Barings.

Mr Merritt argues that the debt markets will be the most important leading indicator of equity market performance in 1998.

"The first sign of better times ahead will come in the debt markets," he says. "These are the most sensitive barometers of political



Source: Datastream/ICI

and economic developments.

In Asia, the signals coming from the fixed income markets are almost uniformly negative. Rating agencies continue to downgrade regional sovereign and corporate debt, and investors fear the real prospect of defaults and moratoriums in countries such as Korea and Indonesia.

Uncertainty also surrounds the future of the Japanese economy, seen as crucial to the health of the Asian region. As the year draws to a close, the growing perception is that the government's latest rescue package, announced two weeks ago, is yet more work in progress rather than the finished article.

Although analysts believe the question of when to buy back into Asia is perhaps the important one for next year, they argue that it is still too early for an answer.

"At the moment we have no idea of the damage that will be done and we do not know how long interest rates will be kept high to defend currencies," says Charles Brock at Foreign & Colonial. Mr Merritt observes that it is not possible to identify a sustainable earnings base for corporations in Asia. "We are still going through the phase of downgrades," he says.

Elsewhere, in the more sturdy world, analysts believe the principal markets to watch will be Russia and Brazil, both large economies that were hit heavily when the Asian problems arose in October.

"The issues for Brazil and Russia are two-fold," says Mr Merritt. "On the one hand, they face economic contagion from Asia because currency devaluations have made Asian exports more competitive. Around 40 per cent of Latin American exports compete with those from Asia."

The other problem is financial contagion, which happened because investors drew parallels between Asia and these countries. In both Brazil and Russia, this forced policy responses where interest rates were raised and fiscal policy tightened - measures that are clearly going to have negative implications for economic growth next year."

In both cases, the debt markets show that investors remain extremely wary about the outlook. Another factor in the performance of emerging markets next year is the impact of Asia's problems on the world's developed economies. Latin American growth, for example, is clearly linked to the health of the US economy.

In recent weeks, a string of large US companies have reported falling earnings as a result of their Asian exposure. The economic consequences of this can still only be guessed at, but ING Barings has shaved its US GDP growth forecast by 0.5 percentage points next year to account for the Asian effect.

"Latin America can do well next year so long as the US holds up," says Mr Merritt. "The same is true for emerging Europe as regards the developed European economies. These seem to have been less affected than the US but there is still likely to be an impact."

One of this year's lessons has been that, despite rising investor sophistication, there is still a tendency to treat emerging markets as a single asset class in times of uncertainty. The extent to which this trend is likely to be reversed will become apparent in the first quarter of 1998, as investors make their initial fund allocations for the year.

Promise of recovery after Asian turmoil

Although the dust has refused to settle on the banking crisis in Asia, it is possible to discern the outlines of a recovery in the international bond markets.

Yield spreads on many Asian bonds have hit record levels in the last two weeks, with issues from countries such as Korea widening out to more than 1,000 basis points over Treasuries.

Similarly - although to a lesser extent - non-Asian emerging market borrowers have seen spreads widen by 50 to 150 per cent since the crisis hit the global markets in late October.

In spite of this there are signs the bond markets will return steadily to form in the first quarter of 1998. "What a lot of people have overlooked is that the Asian crisis is ultimately good for bonds because it will have a disinflationary impact on the world economy," said Paul Richards, at Merrill Lynch in London. "Interest rates are likely to remain low, which will help stimulate primary activity in the bond markets."

Syndicate officials identify several broad trends in favour of a lively issuance market in 1998 - although most warn that the first few weeks are likely to be quiet owing to uncertainty about events in Japan and South Korea.

First, interest rates in the US are likely to remain low for the next couple of quarters at least. Alan Greenspan, chairman of the US Federal Reserve, has pointedly referred to the disinflationary impact of the turmoil in Asia.

The continuation of low short-term interest rates in the US should keep the Treasury yield curve flat, with the long-bond remaining at or below 6 per cent. Investors will therefore maintain low cash positions and will resume the epic hunt for

yield that was so abruptly halted by the Asian crisis in the fourth quarter.

By the same token, borrowers will take advantage of low borrowing costs to resume funding programmes.

"With corporate expansion picking up in Europe and continuing in the US, funding programmes are if anything likely to be stepped up in 1998," said a syndicate head at a US investment bank in London.

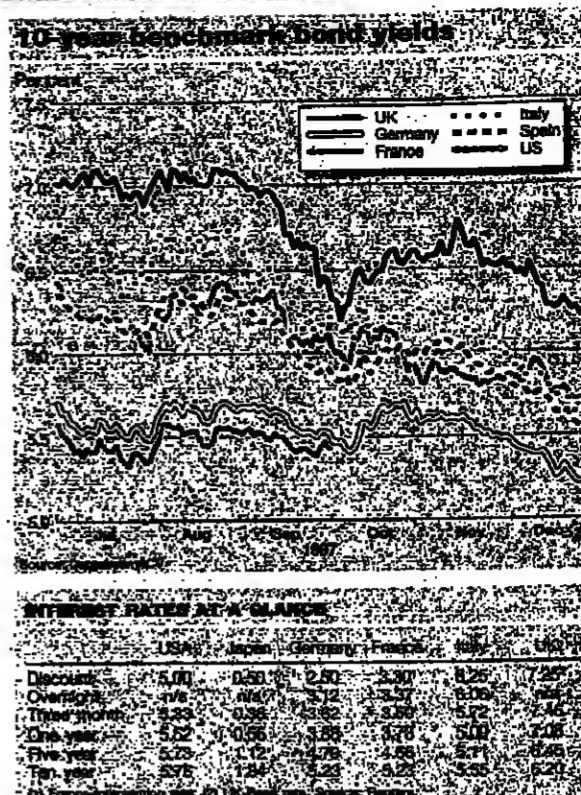
Bankers also point out that when the issuance market does recover, it is likely to do so with a bang. "A lot of borrowers had to postpone offerings because of the turmoil, so there is a large volume of pent-up supply out there waiting for the right moment," said one.

When they come, primary offerings are likely to be met with robust investor demand. The level of retail-bond redemptions in the eurobond market is high in December and January, so plenty of Swiss and Belgian retail buyers will be hoping to recycle their investments.

Second, restructuring in the European corporate sector is likely to gather pace. Many US investment banks have placed high stakes on the emergence of a high-yield corporate market in Europe. Although the market remains tiny - with less than \$2bn in junk bond issuance to date - analysts are confident credit plays are the wave of the future.

"It may take a few years to reach the depth and liquidity of the high-yield market in the US, but Europe will take off over the next 18 months," said one syndicate head.

Bond analysts also expect the investment grade corporate sector in Europe to become more mainstream over the next 12 months. Triple A-rated credits such as Nestlé, the Swiss multinational, and Abbey National,



Source: Datastream/ICI

the UK bank, have long been stalwarts of the market.

With an escalation of cross-border merger and acquisition expected in the count-down to European monetary union, single-A and triple-B borrowers are expected to become more prolific.

In addition, many regular domestic borrowers, such as German pfandbrief issuers and Dutch banks, are expected to accelerate the internationalisation of their debt profiles to establish a broad European investor base in advance of European monetary union.

This should also motivate municipalities across the single currency zone. "We are expecting an explosion of European bank and local government borrowing before 1999. After all, these entities will no longer have a domestic bond market after Euro," one analyst said.

Third, supranational and multinational borrowers such as the World Bank and General Motors will spot opportunities to fill the gaps governments are vacating.

Public-sector deficits in continental Europe and in the Anglo-Saxon economies are in long-term retreat. The US and Australia have both reduced the frequency of

public bond auctions to signal their reduced funding requirements. Large borrowers, such as the Federal National Mortgage Association, are planning Jumbo bond issues that will act as "surrogates" for government yield curves.

Last, and perhaps most counter-intuitively, Asian governments and corporations are likely for the first time to become mainstream borrowers in the international bond markets. With emergency International Monetary Fund programmes in place in South Korea, Indonesia and Thailand, Asian governments will need long-term capital to refinance short-term borrowings.

Many will be studying the debt management strategies of countries such as Mexico and Brazil, which have been through this mill before. "In 1998 we will see the Latin Americanisation of Asia's debt profile," said one syndicate head.

Meanwhile, Latin America and eastern Europe will no doubt resume 1997's hectic borrowing programmes once conditions allow in 1998. Larger sovereigns, such as Argentina and Brazil, are already seeking mandates for benchmark deals.

Royal Commission on Long Term Care for the Elderly

Call for Evidence

A Royal Commission has been established to consider the funding of long-term care for elderly people. The Commission, to be chaired by Professor Sir Stewart Sutherland, will carry out its work in about 12 months. It will have the following terms of reference:

- To examine the short and long term options for a sustainable system of funding of long-term care for elderly people, both in their own homes and in other settings and, within 12 months, to recommend how, and to what circumstances, the cost of such care should be apportioned between public funds and individuals, having regard to:
- the number of people likely to require various kinds of long-term care both in the present and through the first half of the next century, and their likely income and capital over their life-time;
- the expectations of elderly people for dignity and security in the way in which their long-term care needs are met, taking account of the need for this to be secured in the most cost-effective manner;
- the strengths and weaknesses of the current arrangements;
- fair and efficient ways for individuals to make any contribution required of them;
- constraints on public funds; and
- earlier work done by various bodies on this issue.

to carrying out its remit, the Royal Commission should also have regard to:

- the deliberations of the Government's comprehensive spending review, including the review of pensions;
- the implications of their recommendations for younger people who by reason of illness or disability have long-term care needs.

The Commission's recommendations should be costed.

The Commission is asked to give opportunity to all interests likely to be affected by its recommendations to give their views on issues within the terms of reference, and in particular to users and carers.

Written evidence from interested organisations or from individuals is sought by the Commission. The Commission will consider this written evidence, and will decide what further oral evidence is required in the light of the evidence it has received. Written evidence should be sent to:

The Secretary, Royal Commission on Long Term Care for the Elderly, 7th Floor, St Catherine's House, 10 Kingsway, London WC2B 6JP.

All other correspondence relating to the Commission and its work should be addressed to The Secretary at the above address. Evidence will be regarded as publishable, unless those who submit it indicate otherwise. However, evidence relating to particular individuals and their circumstances will be treated as confidential.

Appointments Advertising

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.

For further information please contact: Toby Finden-Crofts +44 0171 873 4027

General Motors Corporation

Further to the DIVIDEND DECLARATION 10th December 1997, Notice is now given that the following distribution will become payable on or after 19th December 1997 against presentation to the Depository (as below) of Claim Forms (being the Depository Receipts).

Cash Distribution Per Unit 2.38 Cents Less US\$ 0.10 Withholding Tax 0.23 Cents 2.15 Cents

Commenced at 1997 12/28 Permitted Barclays Bank PLC BOSS Depository Services, 8 Angel Court, London EC2R 3HT

U.S. \$750,000,000

Midland Bank plc

Unrated Floating Rate Primary Capital Notes

Notice is hereby given that the interest rate on the Floating Rate Primary Capital Notes will be determined at 6.100% per annum. The interest payable on the Floating Rate Primary Capital Notes will be U.S. \$10,000,000 nominal amount.

By: The Class Administrator Ltd, London, Agent Bank

December 29, 1997 CHASE

EUROFIMA

European Company for the Financing of Railway Rolling Stock

Notice is hereby given that the interest rate on the Floating Rate Primary Capital Notes will be determined at 6.100% per annum. The interest payable on the Floating Rate Primary Capital Notes will be U.S. \$10,000,000 nominal amount.

Agent: Morgan Guaranty Trust Company JPMorgan

BAWAG

BANK FÜR ARBEIT UND WIRTSCHAFT A.G.

(Incorporated with limited liability in Austria)

U.S. \$75,000,000 Subordinated Floating Rate Notes due 1999. In accordance with the terms and conditions of the above-mentioned Notes, notice is hereby given that the Rate of Interest has been fixed at 6.25% per annum and that the interest payable on the relevant Interest Payment Date June 29, 1998, against Coupon No. 27 in respect of U.S. \$10,000,000 nominal of the Notes will be U.S. \$31,597.

December 29, 1997, London By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

FLEMING GUARANTEED FUND

Société d'Investissement à Capital Variable European Bank & Business Centre, 6, rue de Trèves L-2633 Senningerberg, R.C. Luxembourg B 51433

Information

Investors in the subfund USD Pacific Guarantee 8 are informed that the weighted average participation rate for the investment period commencing 12/01/98 will be a minimum of 80 %.

The above participation rate will be definitively calculated on or about 12/01/98 on a basket of indices as defined in the Prospectus with the exclusion of the SET Index (Thailand), as determined by the Directors of the Company in the interest of investors.

By Order of the Board of Directors, December 1997

FLEMINGS

The Financial Times plans to publish a Survey on

Sweden

on Tuesday February 17 1998

For further information, please contact:

Felicia Kay

Tel: +44 171 873 4199 Fax: +44 171 873 3204

Bradley Johnson

Tel: +46 8 791 2345 Fax: +46 8 791 7860

or your usual Financial Times representative

FT Surveys

The Financial Times plans to publish a Survey on

Poland

on Wednesday March 25 1998

For further information please contact:

Maciej Sitnicki in Warsaw

Tel/Fax: +48 22 646 2052/2676

or Annette Ebert in Frankfurt

Tel: +49 69 156 85 163 Fax: +49 69 596 4481

or Ewa Placzek-Neves in London

Tel: +44 171 873 3725 Fax: +44 171 873 3934

or your usual Financial Times representative

FT Surveys

CITICORP
U.S. \$150,000,000
Subordinated Floating Rate Notes Due June 2005
Notice is hereby given that the Rate of Interest for the period December 29, 1997 to June 29, 1998 has been fixed at 6.0% and that the interest payable on the relevant Interest Payment Date June 29, 1998 against Coupon No. 10 in respect of U.S. \$100,000,000 nominal of the Notes will be U.S. \$11,407 and in respect of U.S. \$50,000,000 nominal of the Notes will be U.S. \$5,703.50.
December 29, 1997, London By: Citibank, N.A. Corporate Agency & Trust, Agent Bank CITIBANK

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JALISCO

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 28	Closing mid-point	Change on day	30 days	90 days	180 days	360 days	Bank of England
Europe							
Austria (Sch)	20.8418	+0.0022	382	474	20.8309	20.8309	20.7774
Belgium (Bfr)	61.1252	-0.0106	144	-560	61.1590	61.1590	60.9434
Denmark (Dkr)	11.2780	-0.0018	748	-814	11.2837	11.2837	11.244
Finland (Fmk)	8.9678	-0.0015	648	-708	8.9680	8.9680	8.9729
France (FFr)	6.5054	-0.0020	887	-110	6.5019	6.5019	6.5071
Germany (DM)	2.9506	-0.0007	587	-638	2.9503	2.9503	2.9503
Greece (Dr)	466.818	-0.018	855	-971	466.828	466.828	470.294
Ireland (Ir)	1.1561	-0.0006	551	-570	1.1570	1.1570	1.1533
Italy (Lit)	2003.21	-2.73	194	-448	2003.21	2003.21	2003.21
Luxembourg (Lfr)	61.1332	-0.0106	144	-560	61.1590	61.1590	60.9434
Netherlands (Gld)	3.3833	-0.0002	344	-382	3.3844	3.3844	3.3837
Norway (Nkr)	12.1736	-0.0059	718	-789	12.2005	12.2005	12.1938
Portugal (Esc)	302.878	-0.354	550	-607	302.878	302.878	302.878
Spain (Pta)	200.810	-0.002	708	-814	200.810	200.810	200.810
Sweden (Skr)	12.9882	-0.0075	520	-563	12.9878	12.9878	12.9878
Switzerland (Sfr)	2.3850	-0.0028	886	-962	2.3878	2.3878	2.3829
UK (Sterling)	1.0000	-0.0018	855	-971	1.0000	1.0000	1.0000
USA (Dollar)	1.4989	-0.0018	855	-971	1.4989	1.4989	1.4989
SDR	1.20084	-0.0018	855	-971	1.20084	1.20084	1.20084
Americas							
Argentina (Piso)	1.6990	-0.0002	894	-984	1.6990	1.6990	1.6990
Brazil (R)	1.8816	-0.0008	812	-818	1.8808	1.8808	1.8808
Canada (Cdn)	2.3868	-0.0005	980	-976	2.3865	2.3865	2.3865
Mexico (New Peso)	13.8008	-0.0047	947	-971	13.8201	13.8201	13.7838
USA (Dollar)	1.4989	-0.0018	855	-971	1.4989	1.4989	1.4989
Pacific/Asia							
Australia (A\$)	2.5457	-0.0008	814	-862	2.5457	2.5457	2.5457
China (Yen)	16.2405	-0.0018	814	-862	16.2405	16.2405	16.2405
Hong Kong (HK\$)	7.7480	-0.0008	814	-862	7.7480	7.7480	7.7480
India (Rupee)	47.8000	-0.0008	814	-862	47.8000	47.8000	47.8000
Indonesia (Rp)	1,376.00	-0.0008	814	-862	1,376.00	1,376.00	1,376.00
Japan (Yen)	16.2405	-0.0018	814	-862	16.2405	16.2405	16.2405
Malaysia (RM)	4.7800	-0.0008	814	-862	4.7800	4.7800	4.7800
New Zealand (NZ\$)	2.7000	-0.0008	814	-862	2.7000	2.7000	2.7000
Philippines (Piso)	47.8000	-0.0008	814	-862	47.8000	47.8000	47.8000
Singapore (S\$)	2.7000	-0.0008	814	-862	2.7000	2.7000	2.7000
South Africa (Rand)	6.5000	-0.0008	814	-862	6.5000	6.5000	6.5000
South Korea (Won)	200.810	-0.002	708	-814	200.810	200.810	200.810
Taiwan (NT\$)	20.8418	+0.0022	382	474	20.8418	20.8418	20.8418
Thailand (Baht)	5.5000	-0.0008	814	-862	5.5000	5.5000	5.5000

CROSS RATES AND DERIVATIVES

Dec 28	BFY	DFR	FFY	DM	EC	L	FI	NRG	Es	Pta	SGR	SFR	C	CS	S	Y	ECU
Belgium (Bfr)	100	18.45	16.20	4.84	1.89	1.748	5.658	16.91	483.1	410.3	21.20	3.918	1.836	3.821	2.732	356.6	2.448
Denmark (Dkr)	100	10	10	3.705	2.824	1.025	2.874	10.78	268.4	222.4	11.48	2.125	1.881	1.827	1.827	1.827	1.827
France (FFr)	100	11.36	10	1	0.381	0.880	1.127	4.113	102.3	94.74	4.378	0.809	0.338	0.610	0.564	0.508	0.508
Germany (DM)	100	20.86	9.910	3.47	1	0.381	0.880	1.127	4.113	102.3	94.74	4.378	0.809	0.338	0.610	0.564	0.508
Ireland (Ir)	100	82.98	9.758	2.880	1	0.381	0.880	1.127	4.113	102.3	94.74	4.378	0.809	0.338	0.610	0.564	0.508
Italy (Lit)	100	2.105	0.388	0.341	0.102	0.040	100	0.115	0.410	10.43	8.838	0.448	0.038	0.038	0.038	0.038	0.038
Netherlands (Gld)	100	18.39	3.581	2.870	0.887	0.347	2.870	1	0.381	0.880	1.127	4.113	102.3	94.74	4.378	0.809	0.338
Norway (Nkr)	100	50.22	9.264	8.157	2.431	0.850	2.385	2.740	100	248.6	208.0	10.4	1.987	0.821	1.889	1.782	1.230
Portugal (Esc)	100	20.80	3.726	3.273	0.878	0.382	959.2	1.102	4.022	100	82.98	4.381	0.781	0.781	0.781	0.781	0.781
Spain (Pta)	100	24.38	4.407	3.848	1.180	0.451	1.180	1.320	4.054	120.7	100	1.587	0.855	0.855	0.855	0.855	0.855
Sweden (Skr)	100	47.10	8.703	7.544	2.294	0.882	2.294	2.574	9.885	233.6	193.0	10	1.848	0.772	1.850	1.298	1.155
Switzerland (Sfr)	100	25.53	4.708	4.138	1.288	0.488	1.212	1.388	5.083	126.4	104.7	5.410	1	0.410	1.001	0.897	0.76
UK (Sterling)	100	61.14	11.28	9.908	2.960	1.158	2.960	3.536	12.17	302.7	250.8	12.08	2.285	2.287	1.870	2.174	1.870
USA (Dollar)	100	24.38	4.407	3.848	1.180	0.451	1.180	1.320	4.054	120.7	100	1.587	0.855	0.855	0.855	0.855	0.855
Yen	100	36.61	8.754	5.932	1.772	0.682	1.739	1.997	7.780	132.0	115.4	5.961	1.102	0.840	1.103	0.768	1.00
Yen	100	20.82	5.188	4.557	1.382	0.532	1.338	1.534	5.600	139.2	115.4	5.961	1.102	0.840	1.103	0.768	1.00
Yen	100	40.84	7.535	5.619	1.577	0.772	1.540	1.772	6.857	126.4	104.7	5.410	1	0.410	1.001	0.897	0.76

Dec 28	BFY	DFR	FFY	DM	EC	L	FI	NRG	Es	Pta	SGR	SFR	C	CS	S	Y	ECU
Belgium (Bfr)	100	18.45	16.20	4.84	1.89	1.748	5.658	16.91	483.1	410.3	21.20	3.918	1.836	3.821	2.732	356.6	2.448
Denmark (Dkr)	100	10	10	3.705	2.824	1.025	2.874	10.78	268.4	222.4	11.48	2.125	1.881	1.827	1.827	1.827	1.827
France (FFr)	100	11.36	10	1	0.381	0.880	1.127	4.113	102.3	94.74	4.378	0.809	0.338	0.610	0.564	0.508	0.508
Germany (DM)	100	20.86	9.910	3.47	1	0.381	0.880	1.127	4.113	102.3	94.74	4.378	0.809	0.338	0.610	0.564	0.508
Ireland (Ir)	100	82.98	9.758	2.880	1	0.381	0.880	1.127	4.113	102.3	94.74	4.378	0.809	0.338	0.610	0.564	0.508
Italy (Lit)	100	2.105	0.388	0.341	0.102	0.040	100	0.115	0.410	10.43	8.838	0.448	0.038	0.038	0.038	0.038	0.038
Netherlands (Gld)	100	18.39	3.581	2.870	0.887	0.347	2.870	1	0.381	0.880	1.127	4.113	102.3	94.74	4.378	0.809	0.338
Norway (Nkr)	100	50.22	9.264	8.157	2.431	0.850	2.385	2.740	100	248.6	208.0	10.4	1.987	0.821	1.889	1.782	1.230
Portugal (Esc)	100	20.80	3.726	3.273	0.878	0.382	959.2	1.102	4.022	100	82.98	4.381	0.781	0.781	0.781	0.781	0.781
Spain (Pta)	100	24.38	4.407	3.848	1.180	0.451	1.180	1.320	4.054	120.7	100	1.587	0.855	0.855	0.855	0.855	0.855
Sweden (Skr)	100	47.10	8.703	7.544	2.294	0.882	2.294	2.574	9.885	233.6	193.0	10	1.848	0.772	1.850	1.298	1.155
Switzerland (Sfr)	100	25.53	4.708	4.138	1.288	0.488	1.212	1.388	5.083	126.4	104.7	5.410	1	0.410	1.001	0.897	0.76
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USA (Dollar)	100	24.38	4.407	3.848	1.180	0.451	1.180	1.320	4.054	120.7	100	1.587	0.855	0.855	0.855	0.855	0.855
Yen	100	36.61	8.754	5.932	1.772	0.682	1.739	1.997	7.780	132.0	115.4	5.961	1.102	0.840	1.103	0.768	1.00
Yen	100	20.82	5.188	4.557	1.382	0.532	1.338	1.534	5.600	139.2	115.4	5.961	1.102	0.840	1.103	0.768	1.00
Yen	100	40.84	7.535	5.619	1.577	0.772	1.540	1.772	6.857	126.4	104.7	5.410	1	0.410	1.001	0.897	0.76

OTHER STATISTICS

Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Dec 0	Dec -1	Dec -2	Dec -3	Dec -4	Dec -5	Dec -6	Dec -7	Dec -8	Dec -9	Dec -10	Dec -11	Dec -12	Dec -13	Dec -14	Dec -15	Dec -16	Dec -17	Dec -18	Dec -19	Dec -20	Dec -21	Dec -22	Dec -23	Dec -24	Dec -25	Dec -26	Dec -27	Dec -28	Dec -29	Dec -30	Dec -31	Dec -32	Dec -33	Dec -34	Dec -35	Dec -36	Dec -37	Dec -38	Dec -39	Dec -40	Dec -41	Dec -42	Dec -43	Dec -44	Dec -45	Dec -46	Dec -47	Dec -48	Dec -49	Dec -50	Dec -51	Dec -52	Dec -53	Dec -54	Dec -55	Dec -56	Dec -57	Dec -58	Dec -59	Dec -60	Dec -61	Dec -62	Dec -63	Dec -64	Dec -65	Dec -66	Dec -67	Dec -68	Dec -69	Dec -70	Dec -71	Dec -72	Dec -73	Dec -74	Dec -75	Dec -76	Dec -77	Dec -78	Dec -79	Dec -80	Dec -81	Dec -82	Dec -83	Dec -84	Dec -85	Dec -86	Dec -87	Dec -88	Dec -89	Dec -90	Dec -91	Dec -92	Dec -93	Dec -94	Dec -95	Dec -96	Dec -97	Dec -98	Dec -99	Dec -100	Dec -101	Dec -102	Dec -103	Dec -104	Dec -105	Dec -106	Dec -107	Dec -108	Dec -109	Dec -110	Dec -111	Dec -112	Dec -113	Dec -114	Dec -115	Dec -116	Dec -117	Dec -118	Dec -119	Dec -120	Dec -121	Dec -122	Dec -123	Dec -124	Dec -125	Dec -126	Dec -127	Dec -128	Dec -129	Dec -130	Dec -131	Dec -132	Dec -133	Dec -134	Dec -135	Dec -136	Dec -137	Dec -138	Dec -139	Dec -140	Dec -141	Dec -142	Dec -143	Dec -144	Dec -145	Dec -146	Dec -147	Dec -148	Dec -149	Dec -150	Dec -151	Dec -152	Dec -153	Dec -154	Dec -155	Dec -156	Dec -157	Dec -158	Dec -159	Dec -160	Dec -161	Dec -162	Dec -163	Dec -164	Dec -165	Dec -166	Dec -167	Dec -168	Dec -169	Dec -170	Dec -171	Dec -172	Dec -173	Dec -174	Dec -175	Dec -176	Dec -177	Dec -178	Dec -179	Dec -180	Dec -181	Dec -182	Dec -183	Dec -184	Dec -185	Dec -186	Dec -187	Dec -188	Dec -189	Dec -190	Dec -191	Dec -192	Dec -193	Dec -194	Dec -195	Dec -196	Dec -197	Dec -198	Dec -199	Dec -200	Dec -201	Dec -202
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WORLD STOCK MARKETS

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NEW YORK STOCK EXCHANGE PRICES

1pm class Dec 28

GLOBAL EQUITY MARKETS

US INDICES

Index	Dec 28	Dec 29	Dec 30	1997	1997	1997	1997	1997	1997
Dow Jones	7891.31	7891.31	7891.31	7891.31	7891.31	7891.31	7891.31	7891.31	7891.31
S&P 500	104.91	104.91	104.91	104.91	104.91	104.91	104.91	104.91	104.91
NASDAQ	3101.89	3101.89	3101.89	3101.89	3101.89	3101.89	3101.89	3101.89	3101.89
NYSE	257.50	257.50	257.50	257.50	257.50	257.50	257.50	257.50	257.50
NYSE Composite	335.46	335.46	335.46	335.46	335.46	335.46	335.46	335.46	335.46
NYSE Mid-Cap	102.50	102.50	102.50	102.50	102.50	102.50	102.50	102.50	102.50
NYSE Small-Cap	114.05	114.05	114.05	114.05	114.05	114.05	114.05	114.05	114.05
NYSE Tech	453.80	453.80	453.80	453.80	453.80	453.80	453.80	453.80	453.80
NYSE Energy	663.77	663.77	663.77	663.77	663.77	663.77	663.77	663.77	663.77
NASDAQ Comp	1011.30	1011.30	1011.30	1011.30	1011.30	1011.30	1011.30	1011.30	1011.30
Russell 2000	421.40	421.40	421.40	421.40	421.40	421.40	421.40	421.40	421.40

US DATA

Index	Dec 28	Dec 29	Dec 30	1997	1997	1997	1997	1997	1997
Dow Jones Ind. Div. Yield	1.76	1.76	1.76	1.76	1.76	1.76	1.76	1.76	1.76
S & P 500 Div. Yield	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
S & P 500 P/E Ratio	25.80	25.80	25.80	25.80	25.80	25.80	25.80	25.80	25.80

INDEX FUTURES

Index	Dec 28	Dec 29	Dec 30	1997	1997	1997	1997	1997	1997
S&P 500	104.90	104.90	104.90	104.90	104.90	104.90	104.90	104.90	104.90
NASDAQ	3101.89	3101.89	3101.89	3101.89	3101.89	3101.89	3101.89	3101.89	3101.89
NYSE	257.50	257.50	257.50	257.50	257.50	257.50	257.50	257.50	257.50
NYSE Composite	335.46	335.46	335.46	335.46	335.46	335.46	335.46	335.46	335.46

WORLD MARKETS AT A GLANCE

Country	Index	Dec 28	Dec 29	Dec 30	1997	1997	1997	1997	1997
Argentina	CI	2169.77	2169.77	2169.77	2169.77	2169.77	2169.77	2169.77	2169.77
Australia	ASX	2547.2	2547.2	2547.2	2547.2	2547.2	2547.2	2547.2	2547.2
Canada	TSX	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24
China	Shanghai	3130.00	3130.00	3130.00	3130.00	3130.00	3130.00	3130.00	3130.00
France	CAC 40	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24
Germany	DAX	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24
India	NSE	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24
Japan	Nikkei	14022.00	14022.00	14022.00	14022.00	14022.00	14022.00	14022.00	14022.00
South Korea	KOSPI	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24
Taiwan	TSE	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24
UK	FTSE 100	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24	3752.24

NASDAQ NATIONAL MARKET

Stock	High	Low	Open	Close	Change	Volume	High	Low	Open	Close	Change	Volume
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100

NASDAQ NATIONAL MARKET

Stock	High	Low	Open	Close	Change	Volume	High	Low	Open	Close	Change	Volume
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100

AMEX PRICES

Stock	High	Low	Open	Close	Change	Volume	High	Low	Open	Close	Change	Volume
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100

EASDAQ

Stock	High	Low	Open	Close	Change	Volume	High	Low	Open	Close	Change	Volume
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100
Alcatel	145	139	140	139	-1	100	145	139	140	139	-1	100

FT GUIDE TO THE WEEK

MONDAY

29

Iranian pipe of peace



Iranian president Mohammad Khatami makes his first foreign visit as head of state to neighbouring Turkmenistan to open a pipeline bringing natural gas from the former Soviet republic to Iran. The line, which was financed and built by Tehran, will bring Turkmen gas from the Korpdeh field to Kert-Kul in Iran's populous north, and may eventually form a link in more ambitious plans to export Turkmen gas to Turkey and further afield in Europe. The event is likely to be heavy with political symbolism, as it will confirm Iran's growing economic interest in the oil and gas-rich Caspian Sea region.

Kenyan elections

President Daniel arap Moi is strongly tipped to win the second multiparty elections in Kenya's history, thanks in part to an electoral system tilted in his favour and a split opposition. The opposition, divided on tribal lines, has failed to unite behind a single candidate, and is fielding 14 separate challengers. Mr Moi's aim is to repeat his 1992 performance, when he won at least 25 per cent of the vote in five of Kenya's eight provinces, thereby avoiding a risky second-round run-off.

Chequered future

Luke McShane, 13, will be the media star at the Hastings Chess Congress, now in its 73rd year and the chess world's longest running annual tournament (until January 8). The City of London schoolboy is the youngest ever invited to take on the grandmasters in the Premier at the Clarendon Hotel. The previous record-holder, Nigel Short at 14, went on to challenge for the world title, and some experts believe that McShane, already the youngest international master and the British Chess Federation's player-of-the-year, could go one better. The opposition will be no pushover, though. All but one of McShane's nine rivals are grandmasters and three of them have come straight from the world championship knockout in the Netherlands. At a less exalted level, Hastings also stages the World Amateur Championship.

Holiday

Costa Rica, Ireland, Nepal, UK.

TUESDAY 30

Talking heads

Athens hosts the 18th World Universities' Debating Championships with 700 participants talking their way to a grand final on January 5.



New Year's Day sees the start of the 20th Paris-Dakar Rally in which 850 motorised competitors pit their vehicles against the deserts of North Africa

All downhill

The world cup men's downhill skiing event takes place in Bormio, Italy.

Pitch up

Cricket: End of the first test Australia v South Africa in Melbourne and the end of the second under-19 test between South Africa and England at Fochville.

Small things

The International Model Show and The Model Engineer Exhibition opens at Olympia in London, to January 4.

Holiday

Costa Rica, El Salvador, Philippines.

WEDNESDAY 31

Changing hands

Luxembourg relinquishes its six-month European Union presidency.

Nigerian budget

Nigeria's 1998 fiscal budget, the year's main statement of economic policy and direction, released.

Time expired

Deadline set by the Organisation for Security and Co-operation in Europe for the implementation of results of Sarajevo's municipal elections expires.

Holidays

Argentina, Armenia, Azerbaijan, Bangladesh, Brazil, Canada, Chile,

Costa Rica, El Salvador, Finland, Germany, Guatemala, Israel, Italy, Japan, Latvia, Liechtenstein, Madagascar, Mexico, Montserrat, Norway, Pakistan, Panama, Philippines, Qatar, San Marino, Sweden, Switzerland, Tahiti, Thailand, US, Vatican City.

THURSDAY 1

Clearing the rouble

The Russian Central Bank will redenominate the rouble, cutting three zeroes off the value of each note. The aim is to help restore popular faith in the rouble, the value of which has plummeted nearly 10,000 fold since the collapse of the Soviet Union.

Grandmasters' battle

The first World chess championship knockout reaches its controversial climax at the International Olympic Committee headquarters in Lausanne. Despite protests, the holder Anatoly Karpov was seeded to a special challenge round. Last week it seemed that the Russian could meet a Briton, as the UK's top pair Michael Adams and Nigel Short were paired in a semi-final. Chess fans hope that one of the Britons or India's Vishy Anand can outwit Karpov and then play world number one Garry Kasparov, who refused to compete in the current series.

Paris-Dakar

The 20th Paris-Dakar Rally gets under way when 850 entrants in cars and trucks and on motorcycles leave Versailles. Fewer than half are likely to finish the gruelling 6,400 mile event, which includes nearly 4,000 miles of special stages. More than 100 journalists and 130 television people will record the event; 35 doctors and 30 aircraft will be ready to round up the casualties.

Telecoms rules off

The last of the barriers that have protected Europe's telecommunications monopolies is demolished, replacing cosy collaboration with fierce competition in the lucrative fixed line voice business. Now foreign companies can, subject only to national security concerns, can take unlimited stakes in domestic operators in the \$200bn market. The change is expected to provoke a struggle for market share of unprecedented savagery, reminiscent of the bloodbath in the US airline business after deregulation.

Clear for take-off

Taiwan imposes a ban on residents near airports breeding songbirds and pigeons in a move aimed at ensuring air safety.

UK presides

Britain takes over the EU presidency for six months.

Puffed out

A smoking ban is imposed in all United Nations buildings throughout the world.

Holidays

Albania, Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France,

Germany, Greece, Hungary, Iceland, Ireland, Italy, Lithuania, Luxembourg, Macedonia, Malta, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, Ukraine, UK, Yugoslavia, Argentina, Brazil, Canada, Chile, Colombia, Ecuador, Mexico, Peru, US, Venezuela, Russia, Netherlands, Bahrain, Benin, Cameroon, Central African Republic, Cyprus, Gambia, Ivory Coast, Jordan, Kuwait, Lebanon, Liberia, Malta, Mauritania, Morocco, Niger, Nigeria, Senegal, South Africa, Togo, Turkey, United Arab Emirates, Zimbabwe, Australia, China, Hong Kong, Japan, New Zealand, Pakistan, Philippines, Singapore, South Korea, Sri Lanka.

FRIDAY 2

Veteran canvasser

Largest ever exhibition of Winston Churchill's paintings goes on show at Sotheby's Bond Street, plus paintings by artists who influenced the former British prime minister.

Holidays

Bulgaria, Czech Republic, Hungary, Macedonia, Poland, Romania, Russia,

Slovakia, Switzerland, Yugoslavia, Malta, Japan, New Zealand.

SATURDAY 3

Congo shuffle

Laurent Kabila, the president of the renamed Democratic Republic of Congo, is expected to make public the details of a cabinet reshuffle that has been under discussion for several months. The government that took power after the late Zairean president Mobutu Sese Seko fled into exile last May has been struggling to forge a common identity, torn between military men and civilians, reformed Marxists and free marketeers, easterners with close ties to Rwanda and southerners with links to Angola. The reshuffle will indicate which faction is in the ascendant as Mr Kabila tightens his grip on power.

Survey

FT Investors Guide to the Year Ahead.

Holiday

Japan.

SUNDAY 4

Interior dialogue

Ministers of interior of Arab countries hold their annual meeting in Tunis.

Holiday

Japan.

Compiled by Roger Beale.
Fax: (444) (0)171 873 3196.

ECONOMIC DIARY

Statistics to be released this week

Schedule of the International Market Week											
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual		
Mon	US	Nov existing home sales	4.39m	4.40m	Wed	Finland	Oct gross domestic product		5.7%		
Dec 29	Brazil	Dec IGP-M Nov 21-Dec 20 FGV	0.40%	0.53%	Dec 31	Italy	Q3 final gross domestic product**	0.4%	0.4%		
	Belgium	Dec consumer price index* prelim	0.2%	0.3%		Italy	Q3 final gross domestic product**	1.5%	1.5%		
	Belgium	Dec consumer price index* prelim	1.4%	1.4%	Fri	Germany	Dec purchasing managers index*		57.80		
Tues	France	Nov unemployment rate	12.5%	12.5%	Jan 2	UK	Dec Chart Ins of Purchasing Managers		53.9%		
Dec 30	France	Nov jobseekers*	0.1%	-0.4%		UK	Nov consumer credit		901m		
	France	Dec industrial survey	17	17		US	Dec Nat Ass of Purchasing Managers	53.5%	54.4%		
	Sweden	Nov trade balance	\$K12.1bn	\$K12.4bn		US	Dec domestic auto sales*	6.5m	6.5m		
	Sweden	Oct Labour costs		3.7%		US	Dec domestic light truck sales	8.5m	8.7m		
	US	Bank of Tokyo-Mitsubishi Dec 27		N/A	During the week...						
	US	Dec Chicago PMI*	57.5%	59.5%		Switzind	Dec federal consumer price index*	0.1%	0.0%		
	US	Nov leading indicators	0.1%	0.1%R		Switzind	Dec federal consumer price index*	0.4%	0.4%		
	US	Redbook Dec 27		N/A		Germany	Nov VDMA machinery orders*		10.0%		
	US	Dec agriculture prices		Unch		Germany	Nov net foreign bond purchases		DM-2.4bn		
*month on month, **year on year. ***not on ch. 2 seasonally adjusted											
Statistics: Statistics & Economic Analysis											

*month on month, **year on year, ***on qtr, † seasonally adjusted. Statistics, Standard & Poor's M&S.

Other economic news

Monday: Consumer prices in Belgium are expected to have remained tame in December, thanks to lower oil prices.

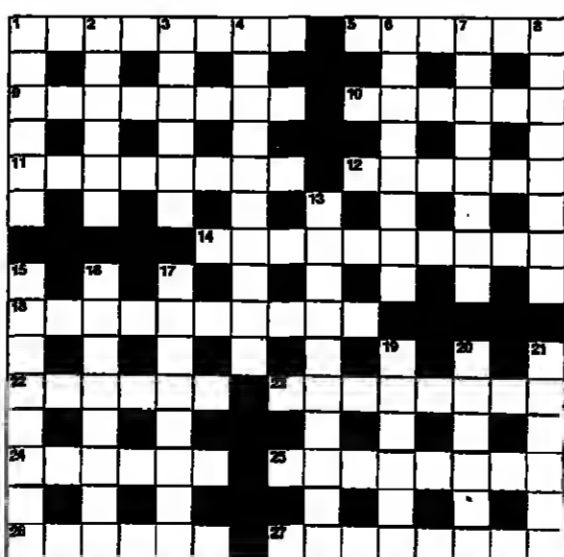
Tuesday: French unemployment is unlikely to have changed in November, with analysts expecting the rate to be stable at 12.5 per cent.

Wednesday: Third quarter GDP growth in Italy may reflect expansion in services and production output, putting its annual rate at around 2 per cent.

Thursday: Markets closed in most countries.

Friday: Broad money supply and consumer credit figures released in the UK, with November expected to show strong net growth in consumer borrowing.

- ACROSS
- One on target to get married to Noah? (8)
 - Pair left in car (6)
 - Put money back into check waistcoat from America (8)
 - Heartless boy, left in the post (6)
 - Hardest way with a man of importance it's said (6)
 - A prop on the beach (6)
 - Memo: plenty available for training in the work (10)
 - The price of taking one out of sensible arrangement is weakness (10)
 - Last under-developed point (6)
 - At home in safe job (8)
 - Coaches one in short version (6)
 - Parish is destroyed by flying machines (8)
 - Odd sort of jewel, but it's a fair attraction (6)
 - Thought the world of one old-fashioned team (8)
- DOWN
- Service absorbs alternative sticky patch? (8)
 - Irish terrorists disturbed by the German invader (8)
 - Gavin's been converted and is redeeming others (6)
 - Mass about in compliance with judgment (10)
 - Classical journeys (8)
 - Given major uplift perhaps? (8)
 - Steel structure protects men from rain and snow (8)
 - Arranged in categories that are not available to the public (10)
 - A fellow about to defect from camp (6)
 - Ribbon for principal orchestra (8)
 - City girl (8)
 - Sly creature gets to West Stand (6)
 - Advertisement about university and its examinations (6)
 - Thoroughly acquainted with the poetry of Germany (6)



WINNERS 9,558: M. Turner, Shipley, West Yorkshire; Mrs F.E. Crozier, Taunton, Somerset; J.M. Mackie, Weybridge, Surrey; M.R.G. Nicholls, Cateham, Surrey.

MONDAY PRIZE CROSSWORD No.9,567 Set by ADAMANT

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of 240 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday January 8, marked Monday Crossword 9,567 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8HL. Solution on Monday January 12. Please allow 26 days for delivery of prizes.

Name _____
Address _____

Solution 9,558

GOESTOOROUND
SANDWICH
PIANIST
A R V H E P O
RAISE
K N S A E W
THADDOUS
SOME
SOME
L E N I E N
L E N I E N
S E T O F F
S O S U A N N A
P O E T R A I N E A T E



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